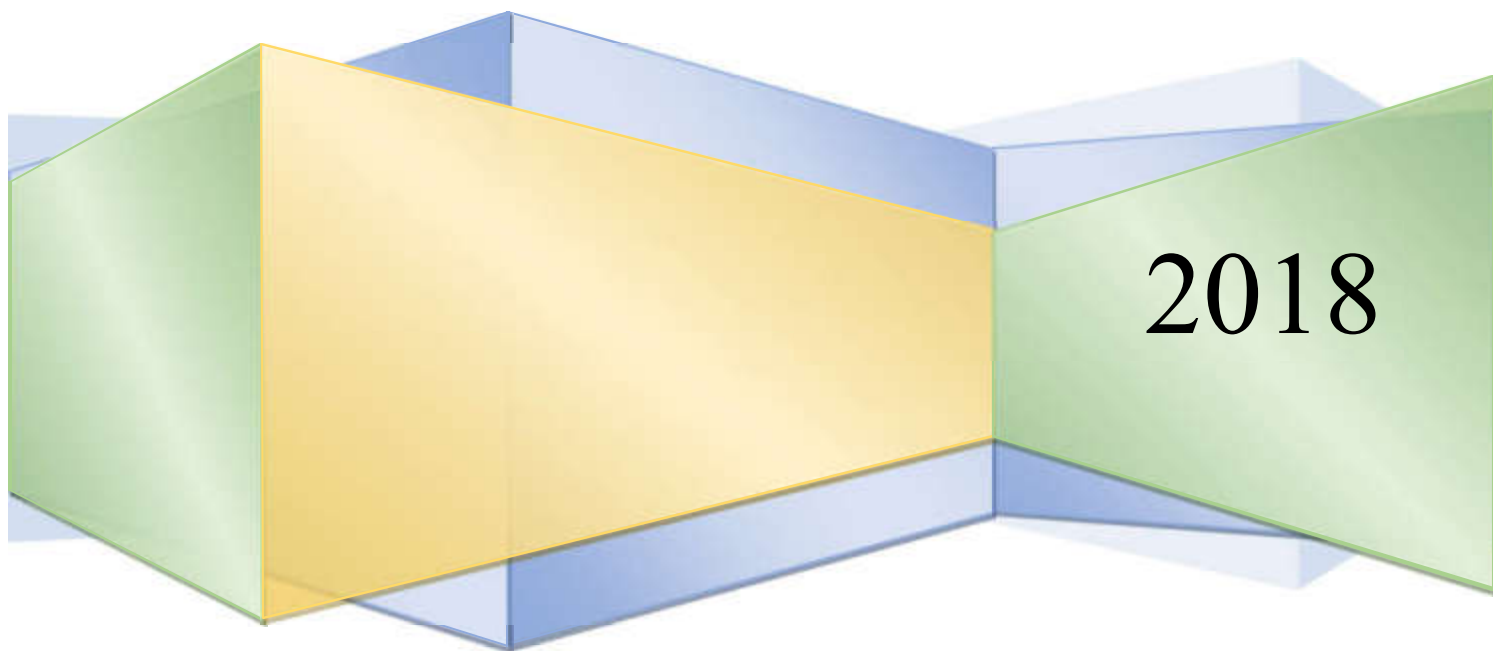


**JAPAN SECURITIES INCORPORATED**



# **ANNUAL REPORT**



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## GENERAL INFORMATION

Vietnamese name:	<b>CÔNG TY CỔ PHẦN CHỨNG KHOÁN NHẬT BẢN</b>
English name:	JAPAN SECURITIES INCORPORATED
Abbreviation:	JSI
Charter capital:	VND 100,000,000,000 (as of December 31, 2018) One hundred billion Vietnam dong./.
Owner's equity:	VND 89.766.014.175 (as of December 31, 2018) Eighty-nine billion, seven hundred sixty-six million, fourteen thousand, one hundred seventy-five Vietnam Dong./.
Address:	14th floor, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong Ward, Dong Da District, Hanoi City
Telephone:	84 – 24 – 3791.1818
Fax:	84 – 24 – 3791.5808
Website:	<a href="http://www.japan-sec.vn">www.japan-sec.vn</a>
Email:	<a href="mailto:info@japan-sec.vn">info@japan-sec.vn</a>

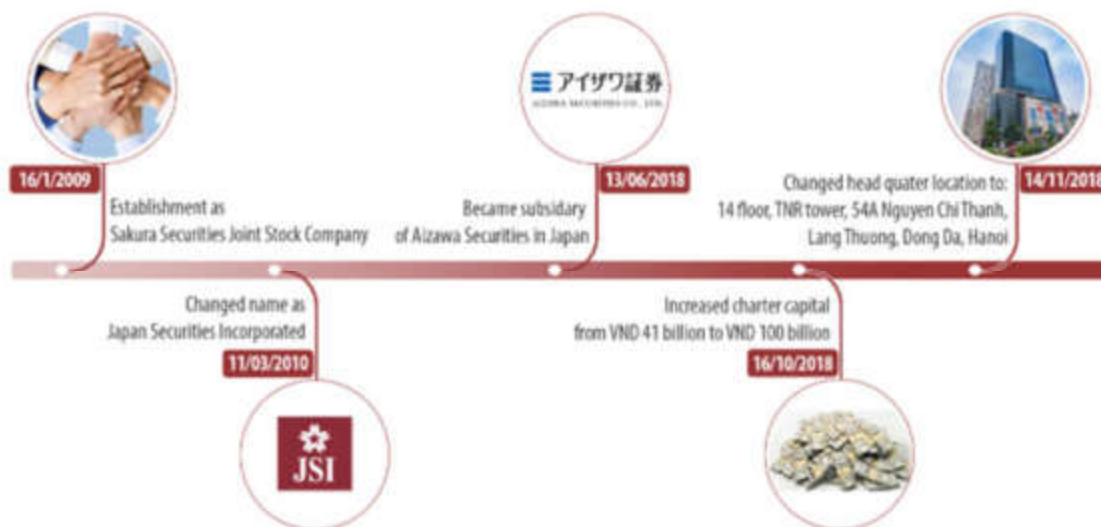
## FOUNDATION AND DEVELOPMENT PROCESS

Japan Securities Incorporated was formerly known as Sakura Securities Joint Stock Company, located in 3<sup>rd</sup> & 7<sup>th</sup> floor, Viglacera-Exim, No. 2 Hoang Quoc Viet, Cau Giay, Hanoi, established under business license No. 103/UBCK-GP issued by State Securities Commission on January 16, 2009.

JSI was founded by 10% shares of Viglacera Corporation and 49% shares of 3 Japanese institutional shareholders who were Aizawa Securities Co., Ltd, Japan Asia Holdings and Tanamark Investment Company with total beginning charter capital of VND 41 billion.

Currently, the Company is relocated in the 14<sup>th</sup> floor, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi; increased charter capital to VND 100 billion; and owned by one institutional shareholder – Aizawa Securities Co., Ltd with nearly 98% charter capital.

## DEVELOPMENT MILESTONES SINCE THE ESTABLISHMENT



## SERVICES AND AREAS OF THE BUSINESS

### Services

- Securities brokerage service: With the management of Japanese experts who have experience in many big financial markets in the world such as Japan, USA, Hong Kong, London, Asia, etc. and qualified staffs achieved education's requirement as well as securities practical certificates, JSI always brings to customers a professional, transparent, reliable and global standards brokerage service.
- Securities depository service: As a member of Vietnam Securities Depository (VSD), JSI provides a full range of securities depository services to customers. We manage our customers' accounts safely, securely, and provide custody in the timely manner. Securities depository services at JSI include:
  - Securities management: Stocks re-depositing at VSD, stocks keeping and regularly stocks supervising
  - Clearing and settlement securities transactions

- Transfer the rights issue
  - Exercise rights, exercise rights issue via online transactions
  - Securities transfer: In case client wishes to transfer a part or the whole of your portfolio to your own account at other securities companies.
- Investment consulting service: With a team of Japanese experienced experts who understand well the international practices, JSI always strives to meet the increasing demands of customers. JSI's target customers are foreign organizations. In addition to M&A advisory services, consulting service of implementation strategies and research service etc., JSI is currently focusing on providing bespoke analysis reports. With the strength of JSI in Japanese (the reports are made by both Japanese native and Vietnamese personnel trained at Japanese universities), we are confident to bring analytical products with high quality, diversity and meeting the requirements and purposes of each customer.

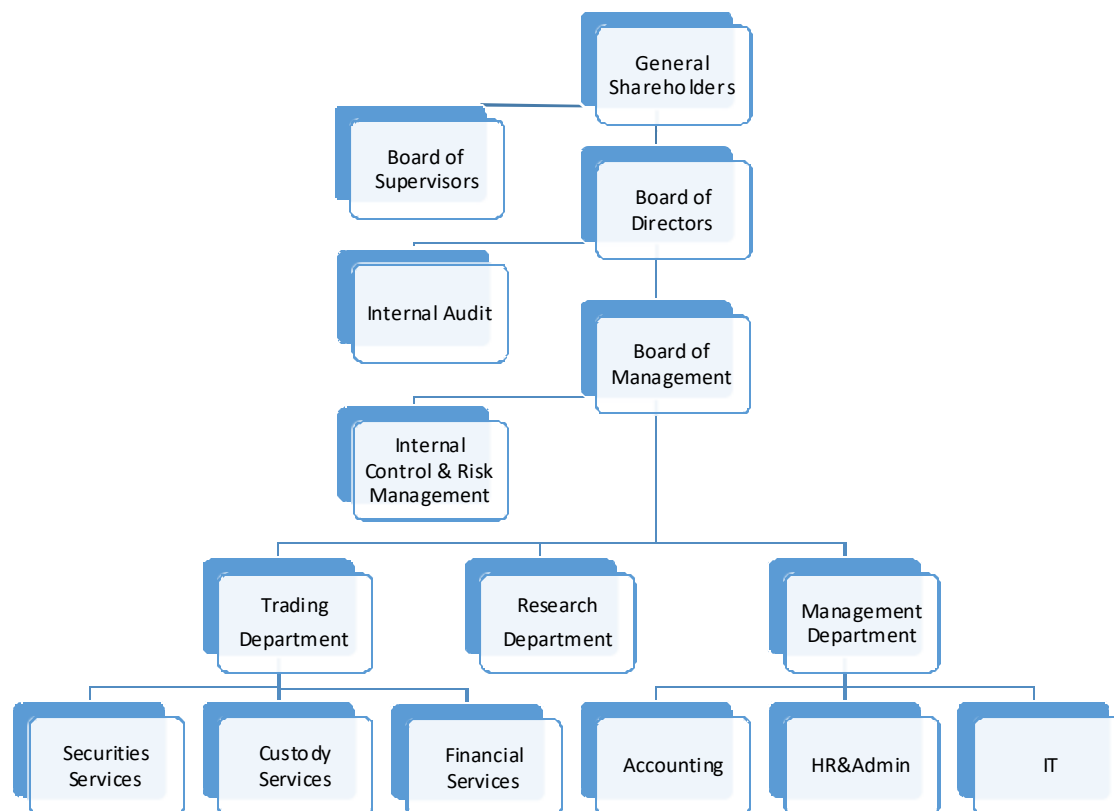
## Business area

JSI provides securities services to all individual and institutional clients from Vietnam and abroad. However, with the advantage of the management of major shareholders and Japanese personnel who are experienced in the international markets, we focus on the Japanese market and other Asian countries. For the Vietnamese market, as our head office is in Hanoi and no branches in other provinces currently, the Company also focuses more on Hanoi and neighboring provinces.

## INFORMATION ABOUT GOVERNANCE MODEL AND MANAGERIAL APPARATUS

- Governance model of Japan Securities Incorporated includes: General Meeting of Shareholders, Board of Supervisors, Board of Directors, Board of Management, operational departments and some subcommittee supporting to Board of Directors and Board of Management (internal audit, internal control and risk management).
- Managerial apparatus of the Company was built on the principle of assigning and managing according to job functions, having a close relationship with each other:
  - The Board of Directors directs the policies, medium-term and long-term orientations for the whole Company;
  - The Board of Management manages and operates the work by decentralizing;
  - Department managers directly deal with specific tasks and take direct responsibility for all activities of these departments;
  - The subcommittees of the Board of Directors and the Board of Management work independently and are responsible for assisting the Boards in managing and controlling risks, ensuring professional operations of the Company, limiting risks arising during the operational processes.
- Although the current governance model and management structure have met the management and executive needs of the Board of Management, and ensured the management efficiency of the Board of Directors; with the change in major shareholders in 2018, JSI is still continuing to improve this model in the direction of gradually applying the Japanese internal management methods to daily operations to have closer access to international practices and standards.
- In order to improve the efficiency of management, the Board of Management has issued specific work processes for each job, department which help to manage human resource smoothly. These processes are regularly updated and completed in accordance with the provisions of the law and the actual operation situation from time to time.

## ORGANIZATION STRUCTURE (as of December 31, 2018)



## DEVELOPMENT ORIENTATIONS

- Being the first securities company in Vietnam which has the participation of Japanese experts and having the advantage in attracting Japanese customers, Japan Securities Incorporated preserves towards the target of becoming a Vietnamese leading company in stock brokerage for customers in Japan. We have been continuing our mission to become a bridge between Vietnam's capital market and Japanese investors. The company is currently oriented to expand to other Asian markets such as Hong Kong, Singapore, Thailand etc. with the aim of increasing market share as well as introducing international investors a Vietnamese young, dynamic, attractive and potential capital market.
- From June 2018, Aizawa Securities Co., Ltd in Japan officially owned Japan Securities Incorporated up to 95%, and this capital contribution was increased to nearly 98% since October 2018. As a prestigious brand in the Japanese market with a history of over 100 years, Aizawa has actively supported JSI in marketing campaigns and attracting more customers in

the Asian markets which Aizawa has strength to take advantage of the existing customers network as well as to promote the name of Japan Securities Incorporated in Vietnam to neighboring markets.

- Our business philosophy from the initial days was to build a Japanese cultural company, consider credibility and transparency on top. That is:
  - Transparency and Trust;
  - Stability and Quality;
  - Development and Dedication.
- In mid-term and long-term, Japan Securities Incorporated focuses on strategies as follows:
  - Governance: Operate the Company more effectively on the basis of restructuring and rational use of financial, technological and human resources; improve corporate governance capacity, build up connection among finance, technology and market.
  - Market: Launch marketing activities to promote the brand and products of the Company in the market in order to increase the number of foreign institutional customers, not only in Japan but also in other Asian market;
  - Services: Connect to Bloomberg global securities trading network to easily reach the target customers as foreign organizations; promote online trading for domestic and foreign personal accounts, minimize human impact on the process of securities operations;
  - System: Improve the efficiency of the information technology system by continuing to invest in software and access advanced products to meet the transactional requirements of customers, especially international customers;
  - Finance: Strictly manage costs, ensure efficient use of capital; improve financial capacity, ensure stable and solid development.

## RISKS

Securities companies fall into the category of conditionally established companies and are classified as financial institutions with any size. The reason is that: for any securities companies, the risks are always inherent. At Japan Securities Incorporated, risk facing and risk preventing always receive special attention of the Board of Directors and the Board of Management of the Company.



The risk policies of the Company are to preserve capital, solvency, ability to continuously operate, preserve reputation and ensure the company to develop sustainably. Main business services are brokerage and investment consultancy for domestic and foreign individuals and institutions. During operation time, the Company always provides orientations, builds working processes for each operation, updates and adjusts these processes regularly to comply with legal regulations, learns from the market risk situations and minimize the loss under the risk limits set by the Company.

Risk policies is based on:

- Operation strategies of the Company
- Company's risk acceptance
- Understanding of risk-bearing financial instruments at the Company
- Professional level of risk management executive officers
- Refer to past risk management activities
- Compliance and application of legal regulations on risk management

Risks – which may affect business operations as well as the performance of the Company's goals – includes:



- Market risk: is the risk that fair value of future cash flows of financial instruments fluctuate in the unfavorable direction of market prices. Market risk occurs when the market has fluctuated

in the direction of adverse factors such as macro-economic changes, interest rate fluctuations, exchange rate fluctuations, political instability ect... which affects the effectiveness in using the money for the Company's business activities. The Company needs to balance the capital use plan and the prediction of the interest rate trend in the market to make a reasonable amount and term of deposits.

- Payment risk: is a risk when a counter partner cannot pay or cannot transfer assets on time as committed. Payment risks in JSI are mostly related to customers' receivables. The management of customer receivables of the Company is based on the policies and control procedures related to the management of payment risks from the selling payment in advance service. Selling payment in advance activities are lending money to customers with collateral as their stocks selling amount which is under the strict management of the software system, the Company assesses the risk for this activity at very low level, almost zero.
- Liquidity risk: is the risk that the Company faces difficulties in meeting financial obligations due to lack of money. The Company monitors liquidity risk by maintaining a reasonable proportion of non-term deposits and cash equivalents to finance the Company's business activities and to reduce minimal impact of changes in cash flows. At JSI, the Company manages separately the investor's deposit and the money the Company using for business activities. To meet the demand for payment of due debts, Company balances revenues and expenditures based on the daily statement of bank account balances, reporting the balance of investors, reporting the amount of disbursement / advance of the loan and revenue report. The largest lending amount to customer was for margin service. However, now JSI has stopped disbursing for this service so the liquidity risk only relates to the reserve of funds at a reasonable level to pay the regular and unexpected expenses arising of the Company.
- Legal risk: Is the risk arising from non-compliance with legal provisions related to business activities and from the cancellation of contracts due to illegal contracts, exceeding the powers, omission of terms, incompleted standards or other causes. The Company regularly updates the latest legal documents related to securities and securities markets as well as related fields. In addition, JSI has been improving the legal knowledge for management executives as well as all employees in the Company by assigning personnel to participate in related courses. Besides, Board of Directors of JSI has paid special attention to the legal consultation from the professional legal service providers. As a result, the risks related to legal issues is limited.

- Operational risk: is risk arising from technical errors, systems errors, operation errors, human errors in the process of operation ... To minimize these risks, the Company issued the operational working procedures for all departments, especially IT and Trading departments, to ensure that all operations are carried out on the principle of cross-checking, maker and checker/approver. When a problem arises, trading staffs with the Head of team will collaborate with other departments and the Board of Directors to resolve. Departments often organize meetings and discussions to bring solutions to each type of risks that may occur. The Company also organizes training courses and supports employees to attend professional courses, take exams and get practice certificates to improve their professional and legal knowledge to limit human errors in the process of working. In fact, the operation risks in JSI have been minimized.

# OPERATION IN THE YEAR 2018

## BUSINESS OPERATION

- Vietnam stock market experienced volatile in 2018:
  - VNIndex hit the historic high of 1,204.3 points before declining in the second half of the year, marking the first year of going down after 6 years of continuous increase. At the end of the year, VN-Index closed at 892.54 points, down 9.3% compared to the end of 2017. Similarly, the HNX-Index ended at 104.2 points, down 11% and UPCoM-Index reached 52.8 points, down 4% from the end of last year.
  - The total market trading value reached about VND 6,500 billion per session, an increase of nearly 30% compared to 2017. Although liquidity has leveled off in the second half of the year when only reaching VND 5,000 billion per session, down 37% compared to the first 6 months.
  - By the end of 2018, on 3 stock exchanges, there were a total of 1,558 listed/registered enterprises, increasing 136 enterprises compared to the end of 2017. In which, 378 enterprises were listed on HOSE, 376 listed on HNX and 804 enterprises registered to trade on UPCoM.
  - Market capitalization at the end of 2018 was about VND 4 million, up 13.7% compared to 2017 and reaching 72.3% of total GDP.
  - Total mobilized capital through IPO and additional shares issuance was about VND 120,000 billion, increasing 45% compared to 2017. In which IPO value was about VND 74,000 billion, nearly 2.5 times higher than the year 2017.
  - P/E valuation of VN-Index at the end of 2018 was about 15.5, down 32% from the peak of 23x on April 2018. Meanwhile, the ROE of VN-Index was 20.8%, higher than 20.3% at the beginning of 2018.
  - The derivative market was exciting with an average trading value of about VND 7,500 billion per session, nearly 8 times higher than 2017's. Although derivative transactions still took place mainly by individual investors with a rate of about 99% of transaction value.
  
- At JSI, the year 2018 saw many changes and milestones:

- The company changed the shareholder structure from 51% Japanese capital held by 3 institutional and 1 individual shareholders up to nearly 98% owned by the only Aizawa Securities Co., Ltd - the major shareholder;
- Accordingly, JSI also changed the CEO and the legal representative from Mr. Atsuhiko Haruyama to Mr. Tsuyoshi Imai who was assigned by Aizawa Securities Co., Ltd;
- Increased charter capital from VND 41 billion to VND 100 billion to meet the requirement of business operations;
- Changed the location of head quarter, investing in new servers, equipment and facilities to meet the requirements of developing and expanding business in the future;
- The year 2018 was also marked as the first year of profitability after 4 years the Company got loss from 2014 - 2017. Although the profit was not a significant amount, it showed the efforts of the Company in diversifying operations and revenue. Securities brokerage has been being now the main business at JSI, however, the revenue has not reached the expectation. In 2018, JSI actively focused on research, We execute bespoke reports for institutional Japanese customers. The Company also provides corporate access service to organize face-to-face meetings between investors from Japan and the Board of Management of listed companies in Vietnam stock market to help investors capture information about the Company's orientation and development plans in the future to have a panoramic view and make proper investment decisions. Thanks to the initiative of diversifying and taking advantage of the Company in Japanese and Japan-trained personnel, JSI has achieved initial success.

## ORGANIZATION AND HUMAN RESOURCE

### Executive Board

<p>Mr.</p> <p><b>TSUYOSHI IMAI</b></p> <ul style="list-style-type: none"> <li>- BOD chairman</li> <li>- CEO</li> <li>- Legal representative</li> </ul> <p>Qualification: Bachelor of Economics</p> <p>Nationality: Japanese</p> <p>Before appointed by Aizawa Securities Co., Ltd to be CEO of JSI, Mr. Imai had more than 30 years of experience as a manager at securities companies and investment corporations in the US, Hong Kong, Japan etc.</p> <p>Ratio of share holding as of Dec 31, 2018: 0%</p>	<p>Ms.</p> <p><b>NGUYEN THI THU TRANG</b></p> <ul style="list-style-type: none"> <li>- BOD member</li> <li>- DCEO</li> <li>- Manage internal accounting</li> </ul> <p>Qualification: Bachelor of Economics</p> <p>Nationality: Vietnamese</p> <p>Joining JSI since the established days, before appointed as DCEO of JSI, Ms. Trang used to be the manager of Management Department, Trading Department. Now, as a DCEO, she is responsible for Management Department</p> <p>Ratio of share holding as of Dec 31, 2018: 0%</p>	<p>Mr.</p> <p><b>TOMONORI TSUCHIYA</b></p> <ul style="list-style-type: none"> <li>- BOD member</li> <li>- DCEO</li> </ul> <p>Qualification: Bachelor of Economics</p> <p>Nationality: Japanese</p> <p>Before appointed as DCEO of JSI, Mr. Tsuchiya had about 20 years of working experience in mother company of JSI as Aizawa Securities Co., Ltd. Now, he is managing Trading Department.</p> <p>Ratio of share holding as of Dec 31, 2018: 0%</p>	<p>Ms.</p> <p><b>KHONG THI HUONG</b></p> <ul style="list-style-type: none"> <li>- Chief Accountant</li> </ul> <p>Qualification: Bachelor of Economics</p> <p>Nationality: Vietnamese</p> <p>With about 20 years of experience in finance and accounting, joining JSI from 2010, Ms. Huong was officially appointed as Chief Accountant of JSI from Feb 2019.</p> <p>Ratio of share holding as of Dec 31, 2018: 0%</p>
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In 2018, JSI had a contract of professional service to outsource the position of Chief Accountant with I-glocal Co., Ltd, and then Branch of I-glocal Co., Ltd in Hanoi. Accordingly, the position of Chief Accountant only performed the task of checking and signing accounting reports, not directly participate in internal management. The work related to internal accounting management of the Company was directly implemented by Ms. Nguyen Thi Thu Trang - DCEO. On January 31, 2019, JSI stopped the outsourcing contract for the position as Chief Accountant.

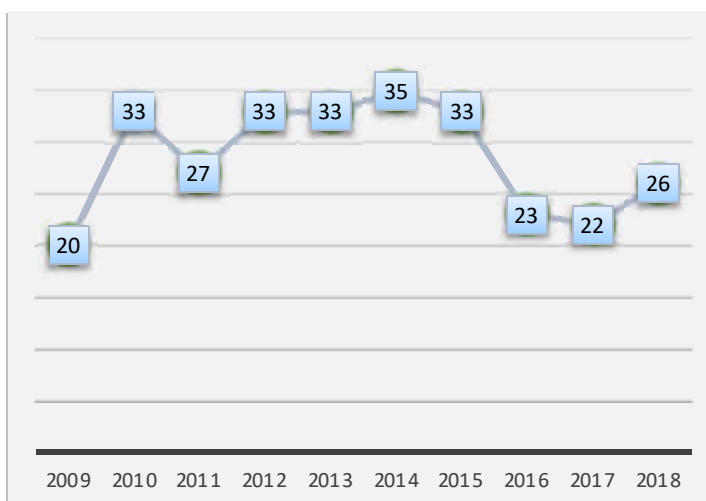
At the date of this report, the Chief Accountant position was undertaken by Ms. Khong Thi Huong. Ms. Khong Thi Huong is the official personnel of the Company and appointed by the Board of Directors on February 1, 2019. JSI made the changes of Chief Accountant position 3 times in 2018 and 2 times in early 2019, details as follows:

No.	Time	Full name of Chief Accountant	Related certificate	Reason for change
1	From Feb 07 2017 to Apr 02 2018	Le Thi Thu	3678/2017/KET (CRPAS)	As request of I-glocal Co., Ltd
2	From Apr 03 2018 to Sept 30 2018	Mai Thi Dung	0570/2017/KET (CRPAS)	As request of I-glocal Co., Ltd
3	From Oct 01 2018 to Jan 01 2019	Luc Thi Thuy	0591/2017/KET (CRPAS)	As request of I-glocal Co., Ltd
4	From Jan 02 2019 to Jan 31 2019	Mai Thi Dung	0570/2017/KET (CRPAS)	As request of Branch of I-glocal Co., Ltd
5	From Feb 01 2019 to present	Khong Thi Huong	ĐTLT-8152/KTT-004 (CCAT)	Stop the Chief Accountant outsourcing contract with I-glocal and use JSI personnel

**Note:**

- CRPAS: Certificate of Registration for Practicing Accounting Services
- CCAT: Certificate of Chief Accountant Training

## Number of employees as of Dec 31, 2018



## INVESTMENT ACTIVITIES, PROJECT IMPLEMENTATION

### Major investments

In 2018, along with the change of shareholder structure and capital increase, JSI made many changes: relocation of headquarters, infrastructure investment and software systems. Towards meeting the increasing demands of customers and getting closer to international trading methods, JSI has actively implemented technology investments, focusing on additional features and utilities for group of foreign institutional customers. On the basis of practical experience in developed markets, JSI's Board of Management sets goals and hopes to expand markets and develop networks through professional services for professional investors.

### About the Parent Company

In 2018, Aizawa Securities Co., Ltd. officially acquired JSI, raising its ownership ratio to nearly 98%. As the Company with a long history of over 100 years, reputation and understanding of the Japanese market as well as other developed countries, Aizawa will support JSI, not only in technology, people, and finance, but also marketing campaigns to promote and introduce JSI in markets where Aizawa has strengths.

## FINANCIAL SITUATION

### Financial situation

Unit: VND

Financial indicator	2017	2018	% change
Total asset	32,043,164,516	92,197,387,313	188%
Net revenue	10,760,571,115	17,083,673,474	59%
Profit from operating activities	-473,022,124	340,124,874	-172%
Other profits	51,797,554	73,197,698	70%
Profit before tax	-429,950,659	413,322,572	-196%
Profit after tax	-429,950,659	413,322,572	-196%
Dividend Payout Ratio	0%	0%	0%



## Major financial indicators

Financial indicator	2017	2018	Note
<b>Solvency ratio</b>			
+ Current ratio:	18,06	10	
Short term Asset/Short term debt			
+ Quick ratio:	18,06	10	
<u>Short term Asset – Inventories</u>			
<u>Short term Debt</u>			
<b>Capital structure Ratio</b>			
+ Debt/Total assets ratio	0,05	0,03	
+ Debt/Owners' Equity ratio	0,06	0,03	
<b>Operation capability Ratio</b>			
+ (Net revenue/Total Assets)	0,35	0,185	
<b>Target on Profitability</b>			
+ Profit after tax/Net revenue Ratio	-4%	2,4%	
+ Profit after tax/total capital Ratio	-1,42%	0,5%	
+ Profit after tax/ Total assets Ratio	-1,34%	0,5%	
+ Operating profit/ Net revenue Ratio	-4,4%	2%	

## SHAREHOLDERS STRUCTURE, CHANGE IN THE OWNER'S EQUITY

### Shares:

Total outstanding shares: 10,000,000 shares. Of which:

- Common share: 10,000,000 shares (face value 10,000 VND per share);
- Preferred shares: None;
- Freely transferable shares: 4,100,000 shares;
- Restricted transferable shares: 5,900,000 shares.

## Shareholders structure

No	Shareholders	Contribution ratio	Amount of contributed capital (VND)
1	<b>Major shareholders own from 5% or more of the company's shares</b>	<b>97.95%</b>	<b>97,950,000,000</b>
	<i>Of which:</i>		
	Domestic institution (0 institution)	0%	0
	Foreign institution (1 institution)	97.95%	97,950,000,000
	Domestic individual (0 individual)	0%	0
	Foreign individual (0 individual)	0%	0
2	<b>Institution</b>	<b>97.95%</b>	<b>97,950,000,000</b>
	<i>Of which:</i>		
	Foreign institution	97.95%	97,950,000,000
	Vietnam institution	0%	0
3	<b>Individual</b>	<b>2.05%</b>	<b>2,050,000,000</b>
	<i>Of which:</i>		
	Foreign individual	0%	0
	Domestic individual	2.05%	2,050,000,000
	<b>Domestic</b>	<b>2.05%</b>	<b>2,050,000,000</b>
	<i>Of which:</i>		
	Domestic institution	0%	0
	Domestic individual	2.05%	2,050,000,000

<b>Foreign</b>	<b>97.95%</b>	<b>97,950,000,000</b>
<i>Of which:</i>		
Foreign institution	97.95%	97,950,000,000
Foreign individual	0%	0

<b>4</b>	State shareholders	0%	0
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### Change in the owner's equity

In 2018, JSI made an increase in owner equity from VND 41 billion to VND 100 billion. This capital increase was officially approved by the State Securities Commission on October 16, 2018 under the Adjustment License No. 86/GPĐC-UBCK.

**Transaction of treasury stocks:** None.

**Other securities:** None.

## REPORT RELATED IMPACT OF THE COMPANY ON THE ENVIRONMENT AND SOCIETY

### Compliance with the law on environmental protection

- Number of times the company is punished due to failing to comply with laws and regulations on environment: None
- The total amount to be punished due to failing to comply with laws and regulations on the environment: None

### Policies related to employees

- Number of average employees: 25 employees per month
- Average salary of employee: VND17.9 million per employee per month

- Labor policies to ensure health, safety and welfare of employees:
  - JSI always ensures that employees are entitled to the whole of salary and allowances in accordance with the law, in accordance with the qualifications and ability of each person. In addition to basic salary, employees also receive allowances according to qualifications, certificates, and productivity efficiency. Salary policy is considered as transparent, competitive and attracting talents. JSI understands the creating of a dynamic working environment, the opportunity to learn, and reasonable salary scheme are the attractive factors and retain the dedication and long-term commitment to the Company.
  - Along with the policy of transparent and competitive salary payment, the Company also applies the reward and welfare policy based on the performance and business result in order to create a positive working motivation for employees. Not only the 13th month salary and bonuses for Tet holidays, in 2018, JSI also organizes company trips inside and outside Vietnam, team building, gala dinner, charity activities to connect the employees with each other and with the Company.
  - Since the Company's orientation is focusing on foreign customers, the Company advocates recruit and develop young employees with good foreign language skills, have ability to approach and work well with a professional international environment. In addition, JSI is always aware of training professional knowledge about the securities industry is the task that the Company must focus on, so we encourage staffs to study, improve skills and knowledge on securities as well as create conditions for employees to participate in training courses. The knowledge of law as well as compliance regulations are also concerned by the Board of Management to ensure compliance of all employees in the Company.
  - In 2018, JSI successfully developed and implemented a mechanism to assess human capacity according to new KPI criteria. Accordingly, this mechanism has been judged by the Board of Management, employees and the Parent Company as Aizawa Securities that it is able to evaluate and comprehensively acknowledge the capacity of personnel and also encourage, motivate and opportunity for employees in the Company to express their views, expectations for work and make suggestions to improve quality, improve operational efficiency of the Company.

- Social insurance Policy: The social insurance, health insurance and unemployment insurance policies are complied with the law to ensure legal rights for employees in the Company.
- In addition, the Company has always focused on ensuring basic benefits for employees such as fully implementing regulations on hygiene safety, occupational health, fire protection; organize periodic health check for employees.
- Employee training activities: In 2018, the average number of hours of training in the Company is about 4 hours/employee/year (about 100 hours for the whole Company), including internal training programs implemented by the Company's personnel, extracurricular training programs, academic programs carried out by professional organizations. Training on customer service, development skill programs, foreign languages, soft skills improvement courses are organized both inside and outside the Company's working location.

### **Report on responsibility for local community.**

Activities of community investment and other community development activities, including financial support to serve the community: The Company actively participates in supporting the support activities of the ward and district where the Company is located.

**Green capital market activities under the guidance of the SSC:** Because there is no dealing business operation, JSI does not have this activity.

# REPORT OF BOARD OF MANAGEMENT

## ASSESSMENT OF OPERATING RESULTS

- Thanks to the surge in revenue in the fourth quarter, the total profit in 2018 of JSI reached about VND 413 million. After 4 years of consecutive losses, 2018 JSI began to make profits. Although the profit was not high but it was a good sign recognizing the Company's efforts in improving revenue structure, not only focusing on brokerage but also consulting.
- Transaction fee for the second half of 2018 was not as expected. From May 2018, transactions of customers were affected by the downtrend of Vietnam stock market. Since the beginning of 2017, Vietnam's stock market had witnessed continuous and outstanding growth with many numbers being established as a "record" in the market. This growth trend had continued to drag into 2018 and VN Index had set a new peak after 10 years as 1,204.3 points on April 9, 2018. Because the market had grown too hot after a long time, at the same time, Vietnam's stock market was not outside the scope of the impact of impacting events on the global economy like the FED raised interest rates, the escalation of trade war between the US and China, so since mid-April 2018, Vietnam's stock market has decreased in both index and transaction value. Foreign investors net sold continuously, causing the market to fluctuate with a large margin. Statistics showed that there were 7 sessions in 2018 Vietnam stock market fell more than 3%, in which there was a decrease of more than 5%.
- The revenue from JSI's transaction fees was largely contributed by the transactions of foreign organizations, accounting for nearly 90% in 2018. Trading from these customers in the first 4 months of 2018 was always maintained at a high level, but since May 2018 and more clearly from June 2018 to December 2018, when the trend of the stock market in the world as well as the Vietnamese stock market had no prosperity, so the value of transactions from JSI customers also continued to remain low.
- JSI stopped providing margin service from 2017, focusing on the target customers as foreign organizations, so the revenue from financial services (particularly from the selling payment in advance service) from Vietnamese customers was not significant and tended to decrease in 2018. JSI also did not expect much on this revenue.

- The operating costs of JSI in 2018 tended to increase because the Company moved its head office, replaced the entire facilities as well as increased the cost of renting office and utilities. However, thanks to the diversification of revenue sources by focusing more on consulting service, JSI achieved positive business results at the end of the year and profitable.

## FINANCIAL SITUATION

### Assets

- Total assets increased by VND 60.1 billion, because in the year Company received capital contributions from the major shareholder, with the aim of better meeting the Company's business operations and long-term development strategies.
- Since stopping margin lending, Company only uses its money to for advance stock selling payment without using money from bank overdraft loans. The amount of idle money, there is no need to use of the company is mainly in the form of bank deposits with many different terms to ensure the activities of the Company. Total deposits as of December 31, 2018 of the Company at the bank are VND 64 billion.
- In 2018, due to the investment in infrastructure and software system, the asset situation increased sharply in 2018, increased by 60.1 billion, in which short-term assets increased by ~47 billion, long-term assets ~13 billion.

### Liabilities

- Liabilities increased from 1.69 billion to 2.4 billion at the end of the year. Most are payables for service suppliers.

## IMPROVEMENTS ON THE STRUCTURE OF ORGANIZATION, POLICY AND MANAGEMENT

- Service activities: JSI orients the target customer as foreign organizations. Accordingly, we do not expect revenue can come quickly, right after investing in new infrastructure because these customers need time to assess the credibility and reputation of the companies they plan to work with before making any decision on cooperation. However, JSI believes that, with serious and methodical investment, with the orientation of professional service and customer-oriented, with the prestige and experience of experts from Japan, JSI will develop sustainable and attract

more potential customers, not only to our Company, but also to the Vietnamese financial market.

- Internal control and risk management activities: Aiming to the professional customers, JSI is always well aware of ensuring and maintaining reputation and credibility of the Company to customers. Accordingly, the internal monitoring and risk management play a very important role in our daily activities. These activities not only help JSI limit the risks in operation, but also support the Company to detect potential risks. Therefore, the Board of Management always ensures the requirements of the law on setting up the responsible teams for monitoring and supervising; appoints the personnel with experience, qualifications and capacity to operate these tasks. Besides, the Company has regularly activities to closely review and check all operational works, perform periodic and irregular internal reports, ensure the quality of the inspection.
- Human resource organization and salary regime: With the characteristics of the Company is to focus on the professional foreign customers, JSI must use personnel who are not only capable of foreign languages but also have to meet the requirement on professional skills. Accordingly, the Company has built up a remuneration mechanism to encourage all employees of the Company (not only limited to employees working in securities operational department, but also employees in other departments) participating in studying and examining securities practice certificates, English Toeic certificates, Japanese certificates...The Company also supports for training costs and studying time to ensure all personnel working in the Company understands the characteristics of the securities industry, as well as be able to ready for rotating staff if requested.

## DEVELOPMENT PLANS IN THE FUTURE

Due to the change in shareholders structure, JSI is now a subsidiary of Aizawa Securities Co., Ltd. With the orientation of focusing on the target customers as foreign organizations, and with the support of the Parent Company, JSI aims to expand the market to other Asian countries such as Hong Kong, Singapore ... to diversify customer sources.

To carry out the above market expansion plan, the Company also implemented the connection with Bloomberg to easily receive orders from foreign institutional customers. This is a competitive advantage that not all Vietnamese securities companies have. This is also the reason why in 2018



the Company focused on investing in information technology systems, upgrading infrastructure and changing online trading software.

The Company also continues to make bespoke reports according to customers' requirements to increase revenue from consulting service. Currently, in the market, daily market information reports and analysis reports are provided free of charge by many large securities companies and easy to access. If JSI makes such reports, it is very difficult to increase revenue for this segment. That's the reason why the Company focuses on making bespoke reports serving to institutional customers. With the strength of JSI in making reports in Japanese (by both native speaker and Vietnamese personnel studied in Japanese universities), JSI has found a niche market to increase revenue for this service.

## **ASSESSMENT REPORT RELATED TO ENVIRONMENTAL AND SOCIAL RESPONSIBILITY OF COMPANY**

**Assessment on the environmental indicators (water consumption, energy, emissions):** None

**Assessment on the problems of workers:** JSI always ensures issues related to employees' benefits. All the policies and regimes are fully implemented, the training activities are still organized by the Company in order to ensure the physical and mental health for the Company's employees.

**Assessment on corporate responsibility towards the local community:** JSI is always aware of its contribution to local development. Although there are not enough resource for major programs, JSI always tries to contribute a part of the activities launched by the locality to serve the community.

## REPORT OF BOARD OF DIRECTORS

In 2018, together with the change in the shareholder structure of the Company, from June, the Board of Directors of JSI also changed most of its personnel. Accordingly, in addition to Mr. Atsuhiko Haruyama - before taking the position of CEO cum member of the Board of Directors - was dismissed from the position of CEO and appointed as the Chairman of the Board of Directors. The new personnel includes all 3 members of the Board of Directors - who directly manage the work at the Company - and the other 2 representatives from Aizawa Securities are non-executive members.

From January 1, 2019, Mr. Atsuhiko Haruyama resigned from the position of Chairman of the Board, Mr. Tsuyoshi Imai was appointed to replace. Accordingly, at the date of this report, Mr. Tsuyoshi Imai holds the position of Chairman of the Board of Directors cum CEO and the legal representative of the Company.

### ASSESSMENTS OF THE BOARD OF DIRECTORS ON THE COMPANY'S OPERATION

2018 was an important milestone in JSI's operational orientation. Thanks to the diversification of revenue sources, not only focusing on brokerage, but also carrying out bespoke reports for foreign customers, JSI has initially stopped losses after 4 consecutive years. The Board of Directors highly appreciated the Board of Management efforts to seek opportunities to increase revenue for the Company as well as created the added values which was a premise for attracting new customers in the future.

The Company has also invested in infrastructure and new trading software to provide customers a modern trading environment that can connect to the global trading system and bring many benefits to professional foreign customers. The initiative change on system to get closer to the international trading methods is the Company's long-term policy oriented by the Parent Company, Aizawa Securities Co., Ltd.

Along with the investment to develop, the Company also focuses on completing the management and control processes to ensure the expansion always meets the requirements of the law, update and comply strictly with all regulations.

## **ASSESSMENTS OF THE BOARD OF DIRECTORS ON THE OPERATION OF BOARD OF MANAGEMENT**

Human resources and corporate management have always been focused and improved by the Board of Management. The Company's orientation is currently showing a reasonable path and business results are improving in a positive way. Through the system of periodic and irregular internal reports, as well as direct and indirect reporting channels (in writing, via email, phone ...), members of the Board of Directors - including non-executive members - can also grasp the situation of the Company in a timely manner, then meet the requirements of management and monitoring of the Company's operations of all members of Board of Directors.

## **PLANS, ORIENTATIONS OF THE BOARD OF DIRECTORS**

In 2018, Aizawa officially became the Parent Company of JSI. Accordingly, with the support of Aizawa in the Japanese market, in 2019, JSI will deploy marketing plans and expect to increase the transaction value as well as the number of investors, especially institutional investors from this market. Not only in Japan market, Aizawa will support JSI to enter other Asian markets that Aizawa has experience and strength. However, with the characteristics of institutional customers, JSI cannot expect to have huge revenue immediately to offset the investment costs for infrastructure and software systems. Therefore, the first thing Board of Management of JSI need to do is to ensure the stability of the system, to train employees to meet the requirements of both professional and foreign language capabilities, to actively strengthen the human resource, to organize internal inspection and supervision activities, to ensure and enhance the Company's reputation.



# FINANCIAL REPORT

**JAPAN SECURITIES INCORPORATED**

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



# JAPAN SECURITIES INCORPORATED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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## JAPAN SECURITIES INCORPORATED

### CORPORATE INFORMATION

#### Establishment and operation licence

No.103/UBCK-GP dated 16 January 2009 initially issued by the State Securities Commission. The latest amendment of The establishment and operation license No. 86/GPDC-UBCK was issued on 16 October 2018.

*As at the date of the financial statements:*

<b>Board of Directors</b>	Mr. Tsuyoshi Imai	Chairman (appointed on 1 January 2019)
	Mr. Atsuhiko Haruyama	Chairman (resigned on 1 January 2019)
	Mr. Takuya Aizawa	Member (appointed on 29 June 2018)
	Mr. Motoya Aizawa	Member (appointed on 29 June 2018)
	Mr. Tomonori Tsuchiya	Member (appointed on 29 June 2018)
	Mrs. Nguyen Thi Thu Trang	Member (appointed on 29 June 2018)
	Mr. Le Minh Tuan	Chairman (resigned on 29 June 2018)
	Mr. Nguyen Tran Tuan Nghia	Member (resigned on 29 June 2018)
	Mrs. Nguyen Thi Hong Ha	Member (resigned on 29 June 2018)
	Mrs. Kyu Seihin	Member (resigned on 29 June 2018)
<b>Supervisory board</b>	Mrs. Luong Thi Tra	Head (appointed on 29 June 2018)
	Mrs. Bui Thi Hoa	Member (appointed on 29 June 2018)
	Mr. Kazutoshi Nakano	Member (appointed on 29 June 2018)
	Mrs. Tran Thi Lam	Head (resigned on 29 June 2018)
	Mrs. Phan Thi Vinh	Member (resigned on 29 June 2018)
	Mrs. Hoang Thi Mai Lan	Member (resigned on 29 June 2018)
<b>Board of Management</b>	Mr. Tsuyoshi Imai	CEO (appointed on 3 August 2018)
	Mr. Atsuhiko Haruyama	CEO (resigned on 3 August 2018)
	Mr. Tomonori Tsuchiya	Deputy General Director (appointed on 3 July 2018)
	Mrs. Nguyen Thi Thu Trang	Deputy General Director
<b>Legal Representative</b>	Mr. Tsuyoshi Imai	CEO (appointed on 3 August 2018)
	Mr. Atsuhiko Haruyama	CEO (resigned on 3 August 2018)
<b>Registered Office</b>	14 <sup>th</sup> Floor, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong Ward, Dong Da District, Hanoi, Vietnam	
<b>Auditor</b>	Branch of PwC (Vietnam) Limited in Hanoi	



## JAPAN SECURITIES INCORPORATED

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

The Board of Management of Japan Securities Incorporated ("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 of the Company 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 42 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



Tsuyoshi Imai  
CEO

Hanoi, SR Vietnam  
22 March 2019





## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF JAPAN SECURITIES INCORPORATED**

We have audited the accompanying financial statements of Japan Securities Incorporated ("the Company") which were prepared on 31 December 2018 and approved by the Board of Management on 22 March 2019. The financial statements comprise the statement of financial position as at 31 December 2018, the income statement, the cash flows statement 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 42.

### **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 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, its financial performance, cash flows and statement of changes in equity for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations on the preparation and presentation of financial statements.

### Other matters

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 27 March 2018.

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

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



\_\_\_\_\_  
Nguyen Phi Lan  
Audit Practising Licence No.  
0573-2018-006-01  
Authorised signatory

\_\_\_\_\_  
Bui Phuong Hanh  
Audit Practising Licence No.  
3823-2017-006-1

Report reference number: HAN 2165  
Hanoi, 22 March 2019



**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2018**

ITEMS	Code	Note	Unit: Vietnamese Dong	
			At the end of the year	At the beginning of the year
<b>ASSETS</b>				
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>24,166,073,729</b>	<b>30,534,649,676</b>
<b>I. Financial assets</b>	<b>110</b>		<b>23,296,601,418</b>	<b>29,691,009,042</b>
1. Cash and cash equivalents	111	3.1	9,612,886,716	4,909,329,921
1.1 Cash	111.1		4,612,886,716	1,909,329,921
1.2 Cash equivalents	111.2		5,000,000,000	3,000,000,000
2. Held-to-maturity (HTM) investments	113	3.3	6,000,000,000	23,000,000,000
3. Loans	114	3.4	1,284,195,294	1,534,636,847
4. Provisions for impairment of financial assets and mortgages	116	3.4	(1,279,862,288)	(1,269,362,568)
5. Receivables	117		829,048,358	235,185,733
5.2 Receivables from dividends, interest of financial assets	117.2		829,048,358	235,185,733
5.2.2 Dividend and interest receivables	117.4		829,048,358	235,185,733
6. Prepayment to suppliers	118	3.5	3,349,795,560	-
7. Receivables from services provided by the Company	119	3.6	3,110,616,724	1,215,396,614
8. Other receivables	122		389,921,054	65,822,495
<b>II. Other current assets</b>	<b>130</b>		<b>869,472,311</b>	<b>843,640,634</b>
1. Short-term prepaid expenses	133	3.7 (a)	361,921,686	436,090,009
2. Short-term pledges, mortgages, collateral and deposit	134	3.8 (a)	210,928,388	110,928,388
3. Tax and other receivables from the State Budget	136	3.12 (a)	296,622,237	296,622,237
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>68,031,313,584</b>	<b>1,508,514,840</b>
<b>I. Long-term financial assets</b>	<b>210</b>		<b>53,000,000,000</b>	<b>-</b>
1. Long-term investments	212		53,000,000,000	-
1.1. Held-to-maturity (HTM) investments	212.1	3.3	53,000,000,000	-
<b>II. Fixed assets</b>	<b>220</b>		<b>8,818,924,109</b>	<b>241,451,606</b>
1. Tangible fixed assets	221	3.9 (a)	8,669,058,512	-
Historical cost	222		10,467,623,072	1,669,525,643
Accumulated depreciation	223a		(1,798,564,560)	(1,669,525,643)
2. Intangible fixed assets	227	3.9 (b)	149,865,597	241,451,606
Historical cost	228		2,739,892,220	2,739,892,220
Accumulated amortisation	229a		(2,590,026,623)	(2,498,440,614)
<b>IV. Construction-in-progress</b>	<b>240</b>		<b>62,425,682</b>	<b>-</b>
<b>V. Other non-current assets</b>	<b>250</b>		<b>6,149,963,793</b>	<b>1,267,063,234</b>
1. Long-term pledges, mortgages, collateral and deposit	251	3.8 (b)	799,834,880	5,000,000
2. Long-term prepaid expenses	252	3.7 (b)	4,038,338,608	13,575,066
3. Deposits in the Settlement Supporting Fund	254	3.10	1,311,790,305	1,248,488,168
<b>TOTAL ASSETS</b>	<b>270</b>		<b>92,197,387,313</b>	<b>32,043,164,516</b>

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2018**  
(continued)

ITEMS	Code	Note	Unit: Vietnamese Dong	
			At the end of the year	At the beginning of the year
<b>C. LIABILITIES</b>	<b>300</b>		<b>2,431,373,138</b>	<b>1,690,472,913</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>2,431,373,138</b>	<b>1,690,472,913</b>
1. Short-term trade accounts payable	320		-	197,600,000
2. Tax and other payables to the State Budget	322	3.12(b)	692,345,181	244,048,014
3. Payables to employees	323		781,222,710	641,262,017
4. Employee welfare payables	324		68,324,000	120,210,000
5. Short-term accrued expenses	325	3.11	769,156,359	410,220,271
6. Other short-term payables	329		120,324,888	77,132,611
<b>D. OWNERS' EQUITY</b>	<b>400</b>		<b>89,766,014,175</b>	<b>30,352,691,603</b>
<b>I. Capital and reserves</b>	<b>410</b>		<b>89,766,014,175</b>	<b>30,352,691,603</b>
1. Owners' capital	411	3.14	100,000,000,000	41,000,000,000
2. Financial and operational risk reserve	415		325,801,831	325,801,831
3. Other funds	416		344,013,296	344,013,296
4. Accumulated losses	417		(10,903,800,952)	(11,317,123,524)
4.1 Realised post-tax losses	417.1		(10,903,800,952)	(11,317,123,524)
<b>TOTAL RESOURCES</b>	<b>440</b>		<b>92,197,387,313</b>	<b>32,043,164,516</b>



Nguyen Duy Thinh  
Preparer



Khong Thi Huong  
Chief Accountant



Tsuyoshi Imai  
CEO  
22 March 2019



**OFF STATEMENT OF FINANCIAL POSITION ITEMS**

ITEMS	Code	Note	Unit: Vietnamese Dong	
			At the end of the year	At the beginning of the year
<b>A. ASSETS OF THE COMPANY AND ASSETS IN TRUST</b>				
1. Foreign currencies	005	4.1		
- USD			283	297
- JPY			115,271	4,357,767
2. Number of shares in issue (share)	006	4.2	10,000,000	4,100,000
<b>B. ASSETS OF AND LIABILITIES TO CUSTOMERS</b>				
1. Securities listed/registered to Vietnam				
Securities Depository (VSD)	021	4.3	191,953,370,000	185,999,780,000
<i>a. Freely traded securities</i>	021.1		191,554,170,000	185,195,080,000
<i>b. Blocked securities</i>	021.2		334,000,000	310,000,000
<i>e. Securities awaiting settlement</i>	021.5		65,200,000	494,700,000
2. Securities custodied at VSD but not yet traded	022	4.4	1,708,020,000	7,311,220,000
<i>a. Securities custodied at VSD but not yet traded,         freely traded securities</i>	022.1		1,708,020,000	7,311,220,000
3. Customer's unsettled securities	023	4.5	4,620,761,900	318,400,000
4. Securities not yet custodied at VSD of customers	024.b	4.6	4,824,335,200	11,985,436,100
5. Customers' deposits	026	4.7	4,705,014,600	4,931,196,799
5.1. Customers' deposits for securities trading	027		3,418,867,665	4,182,934,159
5.2. Deposits for clearing and settlement of trading securities	029		184,861,028	743,607,446
<i>a. Domestic investors' deposits for clearing and         settlement of trading securities</i>	029.1		172,319,917	372,946,648
<i>b. Foreign investors' deposits for clearing and         settlement of trading securities</i>	029.2		12,541,111	370,660,798
5.3. Securities issuers' deposits	030		1,101,285,907	4,655,194
6. Payables to customers relating to their deposits at the Company for securities trading	031	4.8	3,603,728,693	4,926,541,605
6.1. Payables to domestic customers relating to their deposits at the Company for securities trading	031.1		3,591,187,582	4,555,880,807
6.2. Payables to foreign customers relating to their deposits at the Company for securities trading	031.2		12,541,111	370,660,798
7. Payables on dividends, principal and interest of bond	035		1,101,285,907	4,655,194



Nguyen Duy Thinh  
Preparer



Khong Thi Huong  
Chief Accountant



Tsuyoshi Imai  
CEO  
22 March 2019

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2018**

*Unit: Vietnamese Dong*

ITEMS	Code	Note	This year	Previous year
<b>I. OPERATING INCOME</b>				
1.1. Gains from held-to-maturity investments (HTM)	02	5.1	1,725,234,853	1,331,506,923
1.2. Interest income from loans and receivables	03	5.1	17,040,039	166,397,410
1.3. Revenue from brokerage services	06		8,848,366,616	8,140,975,894
1.4. Revenue from securities investment advisory services	08		6,048,710,000	179,649,000
1.5. Revenue from custodian services	09		174,517,109	179,372,667
1.6. Revenue from other operating activities	11		117,557,926	658,402,729
<b>TOTAL OPERATING INCOME</b>	<b>20</b>		<b>16,931,426,543</b>	<b>10,656,304,623</b>
<b>II. OPERATING EXPENSES</b>				
2.1. Provisions for diminution in value of financial assets and impairment losses and borrowing costs to finance lending activities	24		10,499,720	5,727,120
2.2. Expenses for brokerage services	27		8,242,211,857	6,296,136,921
2.3. Expenses for securities investment advisory services	29		1,020,160,567	395,910,184
2.4. Expenses for custodian services	30		99,350,956	111,817,602
2.5. Other operating expenses	32		2,800,003	8,399,997
<b>TOTAL OPERATING EXPENSES</b>	<b>40</b>	<b>5.2</b>	<b>9,375,023,103</b>	<b>6,817,991,824</b>
<b>III. FINANCIAL INCOME</b>				
3.1. Realised and unrealised foreign exchange gains	41		68,147,960	13,648,577
3.2. Dividend income and interest income from demand deposits	42		84,098,971	90,617,915
<b>TOTAL FINANCIAL INCOME</b>	<b>50</b>		<b>152,246,931</b>	<b>104,266,492</b>
<b>IV. FINANCIAL EXPENSES</b>				
4.1. Realised and unrealised foreign exchange losses	51		777,294	5,421,637
4.2. Interest expenses	52		-	623
<b>TOTAL FINANCIAL EXPENSES</b>	<b>60</b>		<b>777,294</b>	<b>5,422,260</b>

The notes on pages 13 to 42 are an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2018**  
(continued)

Unit: Vietnamese Dong

ITEMS	Code	Note	This year	Previous year
VI. GENERAL AND ADMINISTRATION EXPENSES	62	5.3	7,367,748,203	4,410,179,155
VII. OPERATING PROFIT /(LOSS)	70		340,124,874	(473,022,124)
VIII. OTHER INCOME AND EXPENSES				
8.1. Other income	71		73,285,385	51,797,554
8.2. Other expenses	72		87,687	8,726,089
NET OTHER INCOME	80		73,197,698	43,071,465
XI. NET ACCOUNTING PROFIT/(LOSS) BEFORE TAX	90		413,322,572	(429,950,659)
X. CORPORATE INCOME TAX	100	5.4	-	-
XIII. NET PROFIT/(LOSS) AFTER TAX	200		413,322,572	(429,950,659)
13.1. Basic earnings per share (VND/share)	501	5.5	81	(105)



Nguyen Duy Thinh  
Preparer



Khong Thi Huong  
Chief Accountant



Tsuyoshi Imai  
CEO  
22 March 2019

The notes on pages 13 to 42 are an integral part of these financial statements.



**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2018**  
**(Indirect method)**

*Unit: Vietnamese Dong*

ITEMS	Code	Note	This year	Previous year
<b>I. Cash flows from operating activities</b>				
1. Net profit/(loss) before tax	01		413,322,572	(429,950,659)
2. Adjustments for:	02		433,699,150	136,891,644
Depreciation and amortisation	03		406,159,391	56,384,406
Provisions	04		10,499,720	5,727,120
Interest expenses	06		-	623
Losses from investing activities	07		-	(91,617,915)
Accrued interest income	08		17,040,039	166,397,410
3. Changes in working capital	30		(46,097,407,351)	(650,089,594)
Increase in held-to-maturity investments (HTM)	32		(36,000,000,000)	(7,500,000,000)
Decrease in loans	33		250,441,553	8,614,226,608
Increase in dividends and interests accrued and receivables on financial assets	36		(610,902,664)	(238,494,332)
Increase in services provided receivables	37		(1,895,220,110)	(577,415,405)
Increase in other receivables	39		(3,673,894,119)	(2,797,481)
Decrease in other assets	40		358,936,088	64,364,771
(Increase)/decrease in prepaid expenses	42		(3,950,595,219)	164,280,962
Interest paid	44		-	(623)
(Decrease)/increase in trade accounts payable	45		(197,600,000)	193,310,000
(Decrease)/increase in employee welfare payables	46		(51,886,000)	116,720,000
Increase in tax and other payables to the State Budget (excluding corporate income tax paid)	47		448,297,167	103,086,324
Increase/(decrease) in payables to employees	48		139,960,693	(79,352,088)
Increase/(decrease) in other payables	50		43,192,277	(1,368,407,149)
Other proceeds from operating activities	51		-	3,000,000
Other payments for operating activities	52		(958,137,017)	(142,611,181)
<b>Net cash outflows from operating activities</b>	<b>60</b>		<b>(45,250,385,629)</b>	<b>(943,148,609)</b>
<b>II. Cash flows from investing activities</b>				
1. Purchases of fixed assets, investment properties and other long-term assets	61		(9,046,057,576)	(250,000,000)
2. Proceeds from disposals of fixed assets, investment properties and other long-term assets	62		-	1,000,000
3. Proceeds from interest earned, dividends and profits received from long-term investments	65		-	90,617,915
<b>Net cash outflows from investing activities</b>	<b>70</b>		<b>(9,046,057,576)</b>	<b>(158,382,085)</b>
<b>III. Cash flows from financing activities</b>				
1. Proceeds from issue of shares and capital contribution	71		59,000,000,000	-
<b>Net cash inflows from financing activities</b>	<b>80</b>		<b>59,000,000,000</b>	<b>-</b>
<b>IV. Net increase/(decrease) in cash and cash equivalents</b>	<b>90</b>		<b>4,703,556,795</b>	<b>(1,101,530,694)</b>
<b>V. Cash and cash equivalents at beginning of year</b>	<b>101</b>		<b>4,909,329,921</b>	<b>6,010,860,615</b>
Cash	101.1		1,909,329,921	6,010,860,615
Cash equivalents	101.2		3,000,000,000	-
<b>VI. Cash and cash equivalents at end of year</b>	<b>103</b>		<b>9,612,886,716</b>	<b>4,909,329,921</b>

The notes on pages 13 to 42 are an integral part of these financial statements.



**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2018  
(Indirect method)  
(continued)

**CASH FLOWS OF BROKERAGE AND TRUSTING ACTIVITIES**

ITEMS	Code	Note	Unit: Vietnamese Dong	
			This year	Previous year
<b>I. Cash flows of brokerage and trusting activities</b>				
1. Trade proceeds	01		75,604,562,148	219,777,722,600
2. Trade payments	02		(70,916,398,430)	(116,378,829,800)
3. Receipts for settlement of customers' transactions	07		154,574,019,302	191,025,338,497
4. Payments for customers' transactions	08		(160,412,718,797)	(345,233,326,348)
5. Payments for customers' custodial fees	11		(172,277,135)	(179,918,025)
6. Receipts from securities issuers	14		14,385,889,986	14,868,101,388
7. Payments to securities issuers	15		(13,289,259,273)	(14,866,368,539)
<b>Net decrease in customers' deposits</b>	<b>20</b>		<b>(226,182,199)</b>	<b>(50,987,280,227)</b>
<b>II. Customers' deposits at beginning of year</b>	<b>30</b>		<b>4,931,196,799</b>	<b>55,918,477,026</b>
Customers' deposits at the Company for securities trading	32		4,182,934,159	5,025,015,715
Deposits for clearing and settlement of trading securities	34		743,607,446	50,890,538,966
Securities issuers' deposits	35		4,655,194	2,922,345
<b>III. Customers' deposits at end of year</b>	<b>40</b>		<b>4,705,014,600</b>	<b>4,931,196,799</b>
Customers' deposits at the Company for securities trading	42		3,418,867,665	4,182,934,159
Deposits for clearing and settlement of trading securities	44		184,861,028	743,607,446
Securities issuers' deposits	45		1,101,285,907	4,655,194



Nguyen Duy Thinh  
Preparer



Khong Thi Huong  
Chief Accountant



Tsuyoshi Imai  
CEO  
22 March 2019

The notes on pages 13 to 42 are an integral part of these financial statements.

**JAPAN SECURITIES INCORPORATED**

14<sup>th</sup> Floor, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong Ward,  
Dong Da District, Hanoi, Vietnam

**Form B04 – CTCK**  
(Issued under Circular No. 334/2016/TT-BTC  
dated 27/12/2016 by Ministry of Finance)

**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2018

Items	Note	At the beginning of the year		Increase/Decrease amounts		Unit: Vietnamese Dong	
		1.1.2017	1.1.2018	Comparative year Increase	Current year Increase	At the end of the year	31.12.2018
1. Owners' capital		41,000,000,000	41,000,000,000	-	-	41,000,000,000	100,000,000,000
2. Financial and operational risk reserves	2.15(b)	325,801,831	325,801,831	-	-	325,801,831	325,801,831
3. Other funds	2.15(b)	344,013,296	344,013,296	-	-	344,013,296	344,013,296
4. Accumulated losses		(10,887,172,865)	(11,317,123,524)	(429,950,659)	413,322,572	(11,317,123,524)	(10,903,800,952)
<b>Total</b>		<b>30,782,642,262</b>	<b>30,352,691,603</b>	<b>(429,950,659)</b>	<b>59,413,322,572</b>	<b>30,352,691,603</b>	<b>89,766,014,175</b>



Nguyen Duy Thinh  
Preparer



Khong Thi Houng  
Chief Accountant



Tsuyoshi Imai  
CEO  
22 March 2019

The notes on pages 13 to 42 are an integral part of these financial statements.



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

**1 GENERAL INFORMATION**

Japan Securities Incorporated ("the Company") is a joint stock company incorporated in Vietnam under the Establishment and operation licence No. 103/UBCK-GP issued by the State Securities Commission on 16 January 2009. The Establishment and operation licence was amended several times and the latest amendment No.86/GPDC-UBCK was issued on 16 October 2018. Accordingly, charter capital of the Company is 100,000,000,000 Dongs.

The Company is located on 14<sup>th</sup> floor, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong Ward, Dong Da District, Hanoi, Vietnam.

The Company's latest charter was issued on 27 April 2018.

The principal activities of the Company are to provide securities brokerage services, securities investment advisory services and custodian services.

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.

The normal business cycle of the Company is 12 months.

As at 31 December 2018 , the Company had 26 employees (as at 31 December 2017: 21 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") both 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, changes in equity and cash flows 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.

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

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

**2.2 Form of records applied**

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

**2.3 Fiscal year**

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

**2.4 Currency**

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

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

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

**2.5 Cash and cash equivalents**

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

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

**2.6 Financial assets**

**(a) Classification**

*(i) 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 date is fixed; and
- The Company has positive intention and ability to hold to maturity.



**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) Held-to-maturity (HTM) financial assets (continued)*

The following assets are excluded from HTM financial assets:

- Non-derivatives classified as financial assets at FVTPL at initial recognition;
- Non-derivatives classified as AFS financial assets; and
- Non-derivatives qualifying 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 received, plus (or less) accumulated amortisation using the EIR method between historical cost and maturity value, less impairment loss (if any).

*(ii) 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 so that classified as held for trading, or designated as FVTPL at initial recognition;
- Items classified as AFS financial assets at initial recognition;
- Items that the holders could probably not recover the majority of initial investments not due to impairment of credit quality, and classified as AFS financial assets.

Loans are initially recorded at cost inclusive of cost of purchase and subsequently measured at amortised cost using the EIR method.

Amortised cost of loans is determined at historical cost less principal received, plus (or less) accumulated amortisation using the EIR method of the difference 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) *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.

(b) Reclassification

(i) *Reclassification of financial assets out of the FVTPL to be sold*

Financial assets out of FVTPL are reclassified to financial assets at FVTPL before they are sold.

(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 criteria 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 its fair value is recognised in the statement of comprehensive income – Changes in fair value of reclassified assets.

(c) Recognition/derecognition

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 derecognised 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.



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

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

**2.6 Financial assets (continued)**

**(d) Initial recognition**

Financial assets at FVTPL 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 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.

*Term deposits*

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

**(f) Provision for impairment of loans**

Provision for impairment of 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 impairment is debited/credited to expenses in the statement of income.

Financial assets used as collateral assets for loans are valued at 70% of market price/fair value as at the end of the year.

Securities issued by listed companies used as collateral assets for loans are valued at market value identified by closing price of the latest transaction date to the end of the year.

Securities issued by unlisted companies but have already been registered to be traded on the Unlisted Public Company Market (Upcom) used as collateral assets are valued by average closing price at the latest transaction date to the revaluation 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)**

**(g) Provision for impairment of receivables**

Receivables are subject to impairment assessment based on the overdue status of the receivables or the estimated loss arising from undue debts of which the indebted economic entities fall bankrupt or are undergoing dissolution procedures; debtors are missing, deceased or under legal claims.

The Company has provided 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 made/(reversal) during the year is recorded as an increase/(decrease) to General and administrative expenses of Statement of comprehensive income

**(h) Recognition of gains/(losses)**

*Purchasing transaction costs*

Transaction costs related to purchases of financial assets at FVTPL 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 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 estimated useful lives of each asset class are as follows:

Office equipment	3 – 6 years
Machinery	6 years
Transmission equipment	6 years
Software	1.83 – 3 years

*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 Prepaid expenses**

Prepaid expenses include short-term and long-term prepayments on the balance sheet. Prepaid expenses are recorded at historical cost and allocated using the straight line method over their estimated useful lives.

Prepaid expenses mainly include office fitting expenses, rental fee and tools and equipments not qualified to be accounted as fixed assets under current regulations. Those items are recorded as prepaid expenses and amortised over the period from one (1) to three (3) years to the statement of comprehensive income.

**2.9 Short-term/Long-term collaterals, deposits**

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

**2.10 Liabilities**

**(a) Recognition/Derecognition**

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 derecognised when such obligations are fully discharged. Liabilities are recognised on an accruals basis and on prudent concept.

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

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

**2.10 Liabilities (continued)**

**(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.

**2.11 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.

**2.12 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.

**2.13 Accrued expenses**

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



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

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

**2.14 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.

**2.15 Equity**

**(a) Share capital**

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

**(b) 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.

As at 31 December 2018, The Company records an accumulated loss; therefore, no contributions were made to financial and operational risk reserve and supplementary capital reserve in 2017 and 2018.

**(c) 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 period 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).

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

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

**2.16 Revenue and income recognition**

**(a) Revenue from provision of services to investors**

Revenue from provision of services to investors comprises securities brokerage service, securities investment consultancy service and custodian service.

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 (4) 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) Other income**

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

**2.17 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.



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

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

**2.18 Current and deferred income tax**

Income taxes include all income taxes which are based on taxable profits including profits generated from operations and trading activities in other countries that the Vietnam has not signed any double tax relief agreement. Income tax expense comprises current income tax expense and deferred income tax expense.

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

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

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

**2.19 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.

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

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

**2.20 Segment reporting**

A segment is a component which can be separated by the Company engaged in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of other segments. A reportable segment is the Company's business segment.

Segment reporting is prepared and presented in accordance with accounting policies applied to the preparation and presentation of the Company's separate financial statements in order to help users of separate financial statements to understand and evaluate the situation and the operations of the Company in a comprehensive way.

**2.21 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**

	At the end of the year VND	At the beginning of the year VND
Cash at bank	4,612,886,716	1,909,329,921
Cash equivalents (*)	5,000,000,000	3,000,000,000
	<u>9,612,886,716</u>	<u>4,909,329,921</u>

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

**3.2 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
Of Investors		
- Shares	<u>68,486,025</u>	<u>2,327,129,170,600</u>



**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)**

	At the end of the year VND	At the beginning of the year VND
Deposits with term from over 3 months to under 1 year	6,000,000,000	23,000,000,000
Deposits with term over 1 year	53,000,000,000	-
	<u>59,000,000,000</u>	<u>23,000,000,000</u>

Short-term investment held-to-maturity is deposits with term over 3 months with interest rates ranging from 5.5% to 7.1% per annum.

**3.4 LOANS AND PROVISION FOR IMPAIRMENTS OF FINANCIAL ASSETS AND MORTGAGES**

**(a) Loans**

Details of loans at amortised cost exclusive of provisions for impairments are as follows:

	At the end of the year		At the beginning of the year	
	Original value VND	Provision VND	Original value VND	Provision VND
Margin loans (*)	1,284,195,294	(1,279,862,288)	1,284,195,294	(1,269,362,568)
Trading advances (**)	-	-	250,441,553	-
	<u>1,284,195,294</u>	<u>(1,279,862,288)</u>	<u>1,534,636,847</u>	<u>(1,269,362,568)</u>

(\*) According to Notification letter No. 001/2017/JSI-CBTT dated 23 January 2017, the Company has stopped providing margin lending service to investors. The outstanding balance of margin loans as at 31 December 2018 arising from before 1 January 2018.

(\*\*) These are the amounts advanced to investors at the trading date ("T-date advance"). As at 31 December 2018, the balance of trading advances account of the Company has been fully collected.

**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**

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

	Balance as at the beginning of the year VND	Increase VND	Reversal during the year VND	Balance as at the end of the year VND
Margin loan	(1,269,362,568)	(10,499,720)	-	(1,279,862,288)
Trading advances	-	-	-	-
	<u>(1,269,362,568)</u>	<u>(10,499,720)</u>	<u>-</u>	<u>(1,279,862,288)</u>

**3.5 PREPAYMENT TO SUPPLIERS**

	At the end of the year VND	At the beginning of the year VND
Financial Software Solution JSC.	2,500,000,000	-
Frontier Consulting Vietnam Co., Ltd.	697,795,560	-
Others	152,000,000	-
	<u>3,349,795,560</u>	<u>-</u>

**3.6 SERVICE FEE RECEIVABLES**

	At the end of the year VND	At the beginning of the year VND
Aizawa Securities Joint Stock Company (Note 6.2)	3,050,083,184	1,155,011,548
Others	60,533,540	60,385,066
	<u>3,110,616,724</u>	<u>1,215,396,614</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**

**(a) Short-term prepaid expenses**

	At the end of the year VND	At the beginning of the year VND
Maintenance fee	174,485,613	-
Rental fee	20,890,323	195,888,000
Others	166,545,750	240,202,009
	<u>361,921,686</u>	<u>436,090,009</u>

**(b) Long-term prepaid expenses**

	At the end of the year VND	At the beginning of the year VND
Office fitting expenses (*)	3,390,434,860	-
Tools and supplies	602,750,165	-
Others	45,153,583	13,575,066
	<u>4,038,338,608</u>	<u>13,575,066</u>

(\*) These are repair and renovation expenses relating to the new office, and are considered as long-term prepaid expenses with allocation period of 3 years.

**3.8 PLEDGES, MORTGAGES, COLLATERALS AND DEPOSITS**

**a) Short-term**

	At the end of the year VND	At the beginning of the year VND
Deposits for office fitting contract	100,000,000	-
House and office rental deposit	100,928,388	100,928,388
Others	10,000,000	10,000,000
	<u>210,928,388</u>	<u>110,928,388</u>

**a) Long-term**

	At the end of the year VND	At the beginning of the year VND
Office rental deposits	794,834,880	-
Others	5,000,000	5,000,000
	<u>799,834,880</u>	<u>5,000,000</u>

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

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

**3.9 FIXED ASSETS**

**(a) Tangible fixed assets**

	Office equipment VND	Transmission equipment VND	Machinery VND	Total VND
<b>Historical cost</b>				
As at 1 January 2018	1,669,525,643	-	-	1,669,525,643
Additions	2,069,806,994	1,667,939,900	5,245,885,000	8,983,631,894
Disposals	(185,534,465)	-	-	(185,534,465)
As at 31 December 2018	3,553,798,172	1,667,939,900	5,245,885,000	10,467,623,072
<b>Accumulated depreciation</b>				
As at 1 January 2018	(1,669,525,643)	-	-	(1,669,525,643)
Charge for the year	(81,580,363)	(51,562,658)	(181,430,361)	(314,573,382)
Disposals	185,534,465	-	-	185,534,465
As at 31 December 2018	(1,565,571,541)	(51,562,658)	(181,430,361)	(1,798,564,560)
<b>Net book value</b>				
As at 1 January 2018	-	-	-	-
As at 31 December 2018	1,988,226,631	1,616,377,242	5,064,454,639	8,669,058,512

Historical cost of fully depreciated tangible fixed assets but still in use as at 31 December 2018 was VND 1,483,991,178 (as at 31 December 2017: VND 1,669,525,643).

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

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

**3.9 FIXED ASSETS (CONTINUED)**

**(b) Intangible fixed assets**

	Software VND
<b>Historical cost</b>	
As at 1 January 2018	2,739,892,220
As at 31 December 2018	2,739,892,220
<b>Accumulated amortisation</b>	
As at 1 January 2018	(2,498,440,614)
Charge for the year	(91,586,009)
As at 31 December 2018	(2,590,026,623)
<b>Net book value</b>	
As at 1 January 2018	241,451,606
As at 31 December 2018	149,865,597

Historical cost of fully amortised intangible fixed assets but still in use as at 31 December 2018 was VND 2,489,892,220 (as at 31 December 2017: VND 2,459,892,220).

**3.10 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.

	At the end of the year VND	At the beginning of the year VND
Initial deposits	120,000,000	120,000,000
Addition deposits	868,496,517	839,707,338
Interest allocated for the period	323,293,788	288,780,830
	<u>1,311,790,305</u>	<u>1,248,488,168</u>

According to the Policy on Management and Use of Derivatives trading clearing fund issued in conjunction with Decision No. 97/QD-VSD dated 23 March 2017, the Company is not subject to any contribution to the Clearing fund because it does not have any derivatives trading activities.



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

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

**3.11 SHORT-TERM ACCRUED EXPENSES**

	At the end of the year VND	At the beginning of the year VND
Service fee	472,049,800	182,300,002
Transaction and depository fee	115,907,047	93,104,334
Other short-term accrued expenses	181,199,512	134,815,935
	<u>769,156,359</u>	<u>410,220,271</u>

**3.12 TAX AND OTHER PAYABLES, RECEIVABLES TO THE STATE BUDGET**

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

	At the beginning of the year VND	Incurred during the year VND	Payment during the year VND	At the end of the year VND
<b>a) Receivables</b>				
Corporate income tax – current	<u>296,622,237</u>	<u>-</u>	<u>-</u>	<u>296,622,237</u>
<b>b) Payables</b>				
Personal income tax withheld and paid on behalf of employees	72,557,605	751,166,662	(705,053,512)	118,670,755
Foreign contractor tax	168,565,318	1,002,398,369	(1,132,978,443)	37,985,244
Value added tax	2,925,091	612,886,455	(80,122,364)	535,689,182
	<u>244,048,014</u>	<u>2,366,451,486</u>	<u>(1,918,154,319)</u>	<u>692,345,181</u>

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

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

**3.13 DEFERRED INCOME TAX**

The Company's tax losses can be carried forward to offset against future taxable income for a maximum period of no more than five consecutive years from the year right after the year in which the loss was incurred. The actual amount of tax losses that can be carried forward is subject to review and approval of the tax authorities and may be different from the figures presented. The estimated amount of tax losses available for offset against the Company's future taxable income is:

Year of tax loss	Status of tax authorities' review	Loss incurred VND	Loss utilised VND	Loss carried forward VND
2014	Outstanding	3,058,622,908	(413,322,572)	2,645,300,336
2015	Outstanding	3,421,830,827	-	3,421,830,827
2016	Outstanding	4,409,479,799	-	4,409,479,799
2017	Outstanding	429,950,659	-	429,950,659

The Company did not recognise deferred income tax assets relating to the above tax losses carried forward, as the realisation of the related tax benefit through future taxable income currently cannot be assessed as probable.

**3.14 SHARE CAPITAL**

**(a) Number of shares**

	At the end of the year	At the beginning of the year
Number of shares registered	10,000,000	4,100,000
Number of shares issued	10,000,000	4,100,000

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.

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

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

**3.14 SHARE CAPITAL (CONTINUED)**

**(b) Detail of owners' shareholding**

	At the end of the year		At the beginning of the year	
	Ordinary shares	%	Ordinary shares	%
Viglacera Investment and Import – Export JSC.	-	-	410,000	10.0
Aizawa Securities Joint Stock Company	9,795,000	97.95	594,500	14.5
Japan Asia Group	-	-	594,500	14.5
Tanamark Investment Limited	-	-	820,000	20.0
Other shareholders	205,000	2.05	1,681,000	41.0
Total shares issued	10,000,000	100.00	4,100,000	100.0

On 21 May 2018, State Securities Committee has issued Decision No. 395/QĐ-UBCK to approve the shares transfer transactions amounting 80.5% of the Company's total charter capital between Aizawa Securities Joint Stock Company and transfer party including 3 institutional and 15 individual shareholders.

In accordance with the 1<sup>st</sup> Extraordinary general meeting minute No.1801/BB/DHDCD.BT dated 29 June 2018, the Company's approved the capital raise plan by individual stock offering to existing shareholders No.01.2018/JSI/PAPH. Dossier of individual stock offering to existing shareholders is approved by State Securities Commission under Announcement No.5747/UBCK-QLKD dated 5 September 2018. Following amended Establishment and operation licence No.86/GPĐC-UBCK dated 16 October 2018, the Company's capital raise to VND 100,000,000,000 has been completed.

**4 NOTES TO THE OFF STATEMENT OF FINANCIAL POSITION ITEMS**

**4.1 FOREIGN CURRENCIES**

Included in cash and cash equivalents were balances held in foreign currencies of US\$ 283.29 and JPY 115,271 (as at 31 December 2017: US\$ 296.5 and JPY 4,357,767).

**4.2 SHARES IN ISSUE**

	At the end of the year Shares	At the beginning of the year Shares
Ordinary shares		
Shares in issue over 1 year	10,000,000	4,100,000



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

**4 NOTES TO THE OFF STATEMENT OF FINANCIAL POSITION ITEMS (CONTINUED)**

**4.3 SECURITIES LISTED/REGISTERED TO VIETNAM SECURITIES DEPOSITORY OF CUSTOMERS**

	At the end of the year VND	At the beginning of the year VND
Freely traded securities	191,554,170,000	185,195,080,000
Blocked securities	334,000,000	310,000,000
Securities awaiting settlement	65,200,000	494,700,000
	<u>191,953,370,000</u>	<u>185,999,780,000</u>

**4.4 SECURITIES CUSTODIED AT VSD BUT NOT YET TRADED OF CUSTOMERS**

	At the end of the year VND	At the beginning of the year VND
Securities custodied at VSD but not yet traded – freely traded securities	<u>1,708,020,000</u>	<u>7,311,220,000</u>

**4.5 CUSTOMER'S UNSETTLED SECURITIES**

	At the end of the year VND	At the beginning of the year VND
Customer's unsettled securities	<u>4,620,761,900</u>	<u>318,400,000</u>

**4.6 SECURITIES NOT YET CUSTODIED AT VSD OF CUSTOMERS**

	At the end of the year VND	At the beginning of the year VND
Securities not yet custodied at VSD of customers	<u>4,824,335,200</u>	<u>11,985,436,100</u>

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

**4 NOTES TO THE OFF STATEMENT OF FINANCIAL POSITION ITEMS (CONTINUED)**

**4.7 CUSTOMERS' DEPOSITS**

	At the end of the year VND	At the beginning of the year VND
Customers' deposit for securities trading	3,418,867,665	4,182,934,159
Deposits for clearing and settlement of trading securities	184,861,028	743,607,446
Securities issuers' deposits	1,101,285,907	4,655,194
	<u>4,705,014,600</u>	<u>4,931,196,799</u>

**4.8 PAYABLES TO CUSTOMERS RELATING TO THEIR DEPOSITS AT THE COMPANY  
FOR SECURITIES TRADING**

	At the end of the year VND	At the beginning of the year VND
Payables to domestic customers relating to their deposits at the Company for securities trading	3,591,187,582	4,555,880,807
Payables to foreign customers relating to their deposits at the Company for securities trading	12,541,111	370,660,798
	<u>3,603,728,693</u>	<u>4,926,541,605</u>

**5 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME**

**5.1 GAINS FROM HELD-TO-MATURITY INVESTMENT (HTM) AND INTEREST INCOME  
FROM LOANS AND RECEIVABLES**

	This year VND	Previous year VND
Gains from held-to-maturity investment (HTM)	1,725,234,853	1,331,506,923
Interest income from loans and receivables	17,040,039	166,397,410
	<u>1,742,274,892</u>	<u>1,497,904,333</u>



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

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

**5.2 OPERATING EXPENSES**

	<b>This year VND</b>	<b>Previous year VND</b>
Expenses for brokerage services	8,242,211,857	6,296,136,921
Expense for custodial services	99,350,956	111,817,602
Expense for securities investment advisory service	1,020,160,567	395,910,184
Provisions for diminution in value of financial assets and impairment losses and borrowing costs to finance lending activities	10,499,720	5,727,120
Other operating expenses	2,800,003	8,399,997
	<u>9,375,023,103</u>	<u>6,817,991,824</u>

**5.3 GENERAL AND ADMINISTRATION EXPENSES**

	<b>This year VND</b>	<b>Previous year VND</b>
Staff costs	3,565,568,551	2,079,417,945
Outsourced service expenses	1,379,603,745	1,401,396,445
Rental expense	603,758,039	276,645,600
Business trip expense	421,894,963	459,962,252
Other expenses	1,396,922,905	192,756,913
	<u>7,367,748,203</u>	<u>4,410,179,155</u>

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

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

**5.4 CORPORATE 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:

	This year VND	Previous year VND
Accounting profit/(loss) before tax	413,322,572	(429,950,659)
Tax at rate of 20%:	82,664,514	-
Effect of:		
Utilisation of previously tax losses	(82,664,514)	-
Corporate income tax charge (*)	-	-
Charged/(credited) for the year:		
Corporate income tax – current	-	-
Corporate income tax – deferred	-	-
	-	-

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

**5.5 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 period, excluding ordinary shares repurchased by the Company and held as treasury shares.

	This year VND	Previous year VND
Net profit/(losses) after tax attributable to ordinary shareholders (VND)	413,322,572	(429,950,659)
Less amount allocated to bonus and welfare funds (VND)	-	-
Weighted average number of ordinary shares in issue (shares)	5,083,333	4,100,000
Basic earnings/(losses) per share (VND)	81	(105)

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

**6 RELATED PARTIES DISCLOSURES**

Identified related parties and relationships are presented below:

Related parties	Relationship
Aizawa Securities Joint Stock Company	Major shareholder
Board of Directors and Board of Management	Key management

**6.1 RELATED PARTY TRANSACTIONS**

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

	This year VND	Previous year VND
<b>Aizawa Joint Stock Company</b>		
Brokerage service	7,101,908,673	6,001,652,813
Securities investment advisory service	6,048,710,000	-
Capital contribution	59,000,000,000	-
Payment made on behalf by the Company	3,351,551,420	-

**6.2 YEAR-END BALANCES WITH RELATED PARTIES**

	At the end of the year VND	At the beginning of the year VND
<b>Aizawa Joint Stock Company</b>		
Service fee receivables (Note 3.6)	3,050,083,184	1,155,011,548
Other receivables	365,671,071	42,018,760
<b>Compensation of key management</b>		
Gross salaries and other benefits	1,217,453,996	1,148,500,000

**7 SEGMENT INFORMATION**

**7.1 Geographical segments**

The principal activities of the Company are carried within Vietnam territory. Risks and returns of the Company are not materially affected by distinctions between geographical areas. On this ground, the Board of Management determines that the Company has only one geographical segment.



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

**7 SEGMENT INFORMATION (CONTINUED)**

**7.2 Business activity segments**

Information of segment income and expenses based on the activities of the Company is as follows:

<b>Fiscal year ended 31 December 2018</b>			
	<b>Brokerage and customer services VND</b>	<b>Others VND</b>	<b>Total VND</b>
Income	15,088,633,764	2,068,325,095	17,156,958,859
Expenses	(9,375,023,103)	(7,368,613,184)	(16,743,636,287)
Profit/(loss) before tax	<u>5,713,610,661</u>	<u>(5,300,288,089)</u>	<u>413,322,572</u>

<b>Fiscal year ended 31 December 2017</b>			
	<b>Brokerage and customer services VND</b>	<b>Others VND</b>	<b>Total VND</b>
Income	8,666,394,971	2,145,973,698	10,812,368,669
Expenses	(6,817,991,824)	(4,424,327,504)	(11,242,319,328)
Profit/(loss) before tax	<u>1,848,403,147</u>	<u>(2,278,353,806)</u>	<u>(429,950,659)</u>

Information of segment assets and liabilities based on the activities of the Company is as follows:

<b>As at 31 December 2018</b>			
	<b>Brokerage and customer services VND</b>	<b>Others VND</b>	<b>Total VND</b>
Assets	65,022,862,317	27,174,524,996	92,197,387,313
Liabilities	(115,907,047)	(2,315,466,091)	(2,431,373,138)
Net assets	<u>64,906,955,270</u>	<u>24,859,058,905</u>	<u>89,766,014,175</u>

<b>As at 31 December 2017</b>			
	<b>Brokerage and customer services VND</b>	<b>Others VND</b>	<b>Total VND</b>
Assets	24,623,329,830	7,419,834,686	32,043,164,516
Liabilities	(93,104,334)	(1,597,368,579)	(1,690,472,913)
Net assets	<u>24,530,225,496</u>	<u>5,822,466,107</u>	<u>30,352,691,603</u>



**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.

**8.1 Credit risk**

Credit risk is the risk that counterparty to a financial instrument will fail 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, held-to-maturity investment*

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

*Prepayment to suppliers, receivables and other assets*

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

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

**8 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**8.1 Credit risk (continued)**

*Credit risk exposure includes the following balances*

	At the end of the year VND	At the beginning of the year VND
<b>Cash and Cash equivalents (Note 3.1)</b>		
Current accounts	4,612,886,716	1,909,329,921
Term deposits	5,000,000,000	3,000,000,000
	<u>9,612,886,716</u>	<u>4,909,329,921</u>
<b>Investment held-to-maturity (HTM) (Note 3.3)</b>		
Term deposits	<u>59,000,000,000</u>	<u>23,000,000,000</u>
<b>Loans (Note 3.4)</b>		
Margin loans	1,284,195,294	1,284,195,294
Trading advances	-	250,441,553
	<u>1,284,195,294</u>	<u>1,534,636,847</u>
<b>Receivables</b>		
Dividend and interest receivables	829,048,358	235,185,733
Prepayment to suppliers (Note 3.5)	3,349,795,560	-
Service fees receivables (Note 3.6)	3,110,616,724	1,215,396,614
Other receivables	389,921,054	65,822,495
	<u>7,679,381,696</u>	<u>1,516,404,842</u>
<b>Other short-term assets</b>		
Short-term pledges, mortgages, collaterals and deposits	210,928,388	110,928,388

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

**8 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**8.2 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 careful selection of securities and other financial instruments within specified limits.

- **Interest rate risk**

As the Company's term deposits at banks, loans have fixed interest rates, it is not subject to any interest rate risk.

- **Currency risk**

Currency risk is the risk that the value of the Company's financial instruments 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.

**8.3 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 and long term.

As at 31 December 2018, the Company had financial liabilities comprising trade payables, accrued expenses other payables amounting to VND 889,481,247 (As at 31 December 2017: VND 684,952,882) which represented contractual undiscounted cash outflows payable in less than one year.

**8.4 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 17 August 2017 ("Circular 87/2017/TT-BTC"), regulating requirements of capital adequacy ratio applicable to securities dealing institutions and sanctions imposed on non-compliance. According to Circular 87/2017/TT-BTC, the Company is required to maintain a prescribed minimum level of CAR of 180%.

As at 31 December 2018, the Company's CAR was 573.20%



**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:

	At the end of the year VND	At the beginning of the year VND
Within 1 year	3,179,339,520	-
Between 2 and 5 years	11,392,633,280	-
	<u>14,571,972,800</u>	<u>-</u>

The financial statements were approved by the Board of Management on 22 March 2019.



Nguyen Duy Thinh  
Preparer



Khong Thi Huong  
Chief Accountant



Tsuyoshi Imai  
CEO



**CONFIRMATION BY THE COMPANY'S LEGAL REPRESENTATIVE**

**TSUYOSHI IMAI**  
Chairman cum CEO