



**Vietcombank Fund Management**

Financial statements for the year ended  
31 December 2017



## Vietcombank Fund Management Corporate Information

### Establishment and

**Operation License No.** 06/UBCK-GPHDQLQ

2 December 2005

The Company's Establishment and Operation License has been amended several times, the most recent of which is the Establishment and Operation License No. 17/GPDC-UBCK dated 9 February 2018. The Establishment and Operation License was issued by the State Securities Commission of Vietnam and are valid for 30 years.

### Board of Directors

Mr. Avinash Deepak Satwalekar	Chairman ( <i>from 15/7/2017</i> )
Ms. Nguyen Thi Kim Oanh	Chairwoman ( <i>to 15/7/2017</i> )
Ms. Pham Thi An Binh	Vice Chairwoman ( <i>from 3/10/2017</i> )
Mr. Pham Thanh Ha	Vice Chairman ( <i>from 15/7/2017 to 3/10/2017</i> )
Mr. Stephen Grundlingh	Vice Chairman ( <i>to 15/7/2017</i> ) Member ( <i>from 15/7/2017</i> )
Mr. Pham Chi Quang	Member ( <i>to 15/7/2017</i> )
Mr. Dennis Lim	Member ( <i>to 15/7/2017</i> )
Mr. Bui Sy Tan	Member
Mr. Vu Quang Dong	Member ( <i>from 15/7/2017</i> )

### Board of Management

Mr. Vu Quang Dong	Chief Executive Officer ( <i>from 15/7/2017</i> )
Mr. Avinash Deepak Satwalekar	Chief Executive Officer ( <i>to 15/7/2017</i> )
Mr. Bui Sy Tan	Deputy Chief Executive Officer

### Registered Office

Vietcombank Tower, 15th Floor  
198 Tran Quang Khai Street  
Hoan Kiem District, Hanoi  
Vietnam

### Auditor

KPMG Limited  
Vietnam

## **Vietcombank Fund Management Statement of the Board of Management**

The Board of Management of Vietcombank Fund Management (“the Company”) presents this statement and the accompanying financial statements of the Company for the year ended 31 December 2017.

The Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, Circular No. 125/2011/TT-BTC dated 5 September 2011 issued by the Ministry of Finance on the promulgation of accounting guidance for fund management companies and the relevant statutory requirements applicable to financial reporting. In preparing the 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;
- confirm that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In the opinion of the Board of Management:

- (a) the financial statements set out on pages 5 to 31 give a true and fair view of the financial position of the Company as at 31 December 2017, and of the results of operations, cash flows and changes in equity of the Company for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, Circular No. 125/2011/TT-BTC dated 5 September 2011 issued by the Ministry of Finance on the promulgation of accounting guidance for fund management companies and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Company will not be able to pay its debts as and when they fall due.

The Board of Management has, on the date of this statement, authorized the accompanying financial statements for issue.

On behalf of the Board of Management



*Yuu Quang Dong*  
Chief Executive Officer

Hanoi, 26 March 2018



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## INDEPENDENT AUDITOR'S REPORT

### To the Investors Vietcombank Fund Management

We have audited the accompanying financial statements of Vietcombank Fund Management ("the Company"), which comprise the balance sheet as at 31 December 2017, the statements of income, cash flows and changes in owners' equity for the year then ended and the explanatory notes thereto which were authorised for issue by the Company's Board of Management on 26 March 2018, as set out on pages 5 to 31.

### Management's Responsibility

The Company's Board of Management is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, Circular No. 125/2011/TT-BTC dated 5 September 2011 issued by the Ministry of Finance on the promulgation of accounting guidance for fund management companies and the relevant statutory requirements applicable to financial reporting, and for such internal control as the Board of Management determines is necessary to enable the preparation of 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 these 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 requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 judgement, including the 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 fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the financial statements.

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



## Auditor's Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Vietcombank Fund Management as at 31 December 2017 and of its results of operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, Circular No. 125/2011/TT-BTC dated 5 September 2011 issued by the Ministry of Finance on the promulgation of accounting guidance for fund management companies and the relevant statutory requirements applicable to financial reporting.

**KPMG Limited**

Vietnam

Audit Report No.: 17-02-439/1



Trần Anh Quan

Practicing Auditor Registration  
Certificate No. 0306-2018-007-1  
*Deputy General Director*

Trương Vinh Phúc  
Practicing Auditor Registration  
Certificate No. 1901-2018-007-1

Hanoi, 26 March 2018

	Code	Note	31/12/2017 VND	31/12/2016 VND
<b>ASSETS</b>				
<b>A - CURRENT ASSETS</b> (100 = 110 + 120 + 130 + 150)	<b>100</b>		<b>261,890,196,180</b>	<b>253,849,556,250</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>8,211,238,946</b>	<b>17,164,813,146</b>
1. Cash	111		5,665,439,606	8,578,078,105
2. Cash equivalents	112		2,545,799,340	8,586,735,041
<b>II. Short-term investments</b>	<b>120</b>	<b>5</b>	<b>234,871,475,144</b>	<b>222,993,309,363</b>
1. Short-term investments	121		234,871,475,144	222,993,309,363
<b>III. Short-term accounts receivable</b>	<b>130</b>		<b>17,746,746,621</b>	<b>12,771,763,563</b>
2. Prepayment to suppliers	132		47,653,141	8,250,000
4. Receivables from operating activities	134	6	11,348,299,857	7,304,769,691
5. Other receivables	135	7	6,350,793,623	5,458,743,872
<b>V. Other current assets</b>	<b>150</b>		<b>1,060,735,469</b>	<b>919,670,178</b>
1. Short-term prepayments	151		1,040,832,049	918,070,178
5. Other current assets	158		19,903,420	1,600,000
<b>B - NON-CURRENT ASSETS</b> (200 = 220 + 260)	<b>200</b>		<b>10,383,604,722</b>	<b>13,273,313,705</b>
<b>II. Fixed assets</b>	<b>220</b>		<b>1,454,523,765</b>	<b>1,965,180,743</b>
1. Tangible fixed assets	221	8	428,851,813	465,870,759
Cost	222		6,378,793,139	6,181,233,139
Accumulated depreciation	223		(5,949,941,326)	(5,715,362,380)
3. Intangible fixed assets	227	9	1,025,671,952	1,499,309,984
Cost	228		2,762,662,895	2,762,662,895
Accumulated amortisation	229		(1,736,990,943)	(1,263,352,911)
<b>IV. Other long-term assets</b>	<b>260</b>		<b>8,929,080,957</b>	<b>11,308,132,962</b>
2. Deferred tax assets	262	10	8,017,867,871	10,154,595,876
3. Other long-term assets	268	11	911,213,086	1,153,537,086
<b>TOTAL ASSETS</b> (270 = 100 + 200)	<b>270</b>		<b>272,273,800,902</b>	<b>267,122,869,955</b>

**Vietcombank Fund Management**  
**Balance sheet as at 31 December 2017 (continued)**

**Form B01 – CTQ**

	Code	Note	31/12/2017 VND	31/12/2016 VND
<b>RESOURCES</b>				
<b>A - LIABILITIES (300 = 310)</b>	<b>300</b>		<b>4,514,531,073</b>	<b>7,730,618,735</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>4,514,531,073</b>	<b>7,730,618,735</b>
2. Accounts payable	312		44,928,000	122,244,852
4. Taxes and others payable to State Treasury	314	12	569,931,540	2,559,798,948
5. Payables to employees	315		3,477,766,893	4,366,452,719
6. Accrued expenses	316		246,319,318	446,254,868
8. Other short-term payables	319		83,179,820	73,076,846
10. Bonus and welfare funds	323		92,405,502	162,790,502
<b>B - EQUITY (400 = 410)</b>	<b>400</b>		<b>267,759,269,829</b>	<b>259,392,251,220</b>
<b>I. Owners' equity</b>	<b>410</b>		<b>267,759,269,829</b>	<b>259,392,251,220</b>
1. Contributed capital	411	13	265,000,000,000	265,000,000,000
7. Investment and development fund	417		4,301,548,849	4,301,548,849
8. Financial reserve	418		2,888,934,197	2,888,934,197
10. Accumulated losses	420		(4,431,213,217)	(12,798,231,826)
<b>TOTAL RESOURCES</b> <b>(440 = 300 + 400)</b>	<b>440</b>		<b>272,273,800,902</b>	<b>267,122,869,955</b>

*The accompanying notes are an integral part of the financial statement*

**OFF - BALANCE SHEET ITEMS**

			31/12/2017	31/12/2016
	Code	Note	VND	VND
5	005	Foreign currencies	14,717,971	4,954,325,242
7	020	Non-custody securities	34,520,557,600	34,520,557,600
8	030	Cash held on behalf of entrusting investors	124,097,080,482	329,623,240,398
8.1.	031	<i>Domestic entrusting investors</i>	120,543,019,140	26,957,493,978
8.2.	032	<i>Foreign entrusting investors</i>	3,554,061,342	302,665,746,420
9	040	Securities held on behalf of entrusting investors	2,013,728,105,201	1,558,294,608,254
9.1.	041	<i>Domestic entrusting investors</i>	1,527,034,012,975	1,397,140,859,949
9.2.	042	<i>Foreign entrusting investors</i>	486,694,092,226	161,153,748,305
10	050	Receivables of entrusting investors	38,619,236,319	27,884,365,826
11	051	Payables of entrusting investors	17,449,013,822	7,432,699,022

Prepared by:



Ms. Ngo Thi Le Quyen  
Accountant

Reviewed by:



Ms. Nguyen Bang Tam  
Chief Accountant

26 March 2018

Approved by:



Mr. Vu Quang Dong  
Chief Executive Officer



**Vietcombank Fund Management**  
**Statement of income for the year ended 31 December 2017**

**Form B02 – CTQ**

	Code	Note	2017 VND	2016 VND
1. Revenue	01	14	40,019,544,535	34,593,121,591
3. Net revenue from operating activities (10 = 01)	10		40,019,544,535	34,593,121,591
4. Operating expenses	11	15	14,870,335,574	11,141,880,486
5. Gross profit (20 = 10 - 11)	20		25,149,208,961	23,451,241,105
6. Financial income	21	16	13,641,822,482	13,374,441,643
7. Financial expense	22	17	2,739,908	22,604,588
8. General and administration expenses	25	18	28,284,544,921	34,849,490,108
9. Net operating profit {30 = 20 + (21 - 22) - 25}	30		10,503,746,614	1,953,588,052
13. Profit before tax (50 = 30)	50		10,503,746,614	1,953,588,052
14. Income tax expense – current	51	19	-	-
15. Income tax expense – deferred	52	19	2,136,728,005	374,331,121
16. Net profit after tax (60 = 50 - 51 - 52)	60		8,367,018,609	1,579,256,931

Prepared by:



Ms. Ngo Thi Le Quyen  
Accountant

Reviewed by:



Ms. Nguyen Bang Tam  
Chief Accountant

Approved by:



Mr. Vu Quang Dong  
Chief Executive Officer

26 March 2018

## Statement of cash flows for the year ended 31 December 2017 (Direct method)

	Code	2017 VND	2016 VND
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from fund management activities	01	36,402,755,045	32,394,851,225
Payments to suppliers	02	(9,093,029,681)	(11,349,301,476)
Payments to employees	03	(28,060,359,019)	(23,839,211,670)
Other receipts from operating activities	06	1,219,262,029	478,872,400
Other payments for operating activities	07	(9,534,337,277)	(9,128,212,877)
<b>Net cash flows from operating activities</b>	<b>20</b>	<b>(9,065,708,903)</b>	<b>(11,443,002,398)</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchases of fixed assets	21	(197,560,000)	(558,976,000)
Proceeds from disposals of debt instruments	24	-	18,318,941,367
Proceeds from disposals of investments	26	-	505,861,520
Interest received	27	308,316,740	710,128,699
<b>Net cash flows from investing activities</b>	<b>30</b>	<b>110,756,740</b>	<b>18,975,955,586</b>
<b>Net cash flows during the year</b> (50 = 20 + 30)	<b>50</b>	<b>(8,954,952,163)</b>	<b>7,532,953,188</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>17,164,813,146</b>	<b>9,636,474,575</b>
<b>Foreign exchange differences</b>	<b>61</b>	<b>1,377,963</b>	<b>(4,614,617)</b>
<b>Cash and cash equivalents at the end of the year</b> (70 = 50 + 60 + 61) (Note 4)	<b>70</b>	<b>8,211,238,946</b>	<b>17,164,813,146</b>

Prepared by:


Ms. Ngo Thi Le Quyen  
Accountant

Reviewed by:


Ms. Nguyen Bang Tam  
Chief Accountant

Approved by:


Mr. Vu Quang Dong  
Chief Executive Officer

26 March 2018

The accompanying notes are an integral part of the financial statement

**Vietcombank Fund Management**

**Form B05 – CTQ**

**Statement of changes in equity for the year ended 31 December 2017**

	Opening balance		Increase/(decrease) during the year				Closing balance	
	1/1/2016	1/1/2017	Year ended 31/12/2016		Year ended 31/12/2017		31/12/2016	31/12/2017
	VND	VND	Increase	Decrease	Increase	Decrease	VND	VND
Contributed capital	265,000,000,000	265,000,000,000	-	-	-	-	265,000,000,000	265,000,000,000
Investment and development reserve	4,301,548,849	4,301,548,849	-	-	-	-	4,301,548,849	4,301,548,849
Financial reserve	2,888,934,197	2,888,934,197	-	-	-	-	2,888,934,197	2,888,934,197
Accumulated losses (*)	(14,377,488,757)	(12,798,231,826)	1,579,256,931	-	8,367,018,609	-	(12,798,231,826)	(4,431,213,217)
	<b>257,812,994,289</b>	<b>259,392,251,220</b>	<b>1,579,256,931</b>	<b>-</b>	<b>8,367,018,609</b>	<b>-</b>	<b>259,392,251,220</b>	<b>267,759,269,829</b>

(\*) The Company made no appropriation to the statutory reserves from profit after tax for the year ended 31 December 2017 due to offsetting of prior year losses.

Prepared by:



Ms. Ngo Thi Le Quyen  
Accountant

Reviewed by:



Ms. Nguyen Bang Tam  
Chief Accountant

Approved by:



Mr. Vu Quang Dong  
Chief Executive Officer

26 March 2018

The accompanying notes are an integral part of the financial statement

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

## **1. Reporting entity**

### **(a) Ownership structure**

Vietcombank Fund Management (“the Company”) is a joint venture company incorporated in Vietnam. The joint venture partners are Joint Stock Commercial Bank for Foreign Trade of Vietnam (“Vietcombank”) (incorporated in Vietnam) and Franklin Templeton Capital Holdings Private Limited (incorporated in Singapore) with ownership interest of 51% and 49%, respectively.

### **(b) Principal activities**

The principal activities of the Company are to establish and manage investment funds; and to manage investment portfolios. The Company is managing VCBF Tactical Balanced Fund and VCBF Blue Chip Fund.

### **(c) Normal operating cycle**

The normal operating cycle of the Company is generally within 12 months.

### **(d) Number of employees**

As at 31 December 2017, the Company had 37 employees (31/12/2016: 34 employees).

## **2. Basis of preparation**

### **(a) Statement of compliance**

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, Circular No. 125/2011/TT-BTC dated 5 September 2011 issued by the Ministry of Finance on the promulgation of accounting guidance for fund management companies (“Circular 125”) and the relevant statutory requirements applicable to financial reporting. These accounting policies may differ in some material respects from the International Financial Reporting Standards and the generally accepted accounting principles and standards of other countries. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than Vietnam. Furthermore, their utilization is not designed for those who are not informed about Vietnam’s accounting principles, procedures and practices.

### **(b) Basis of measurement**

The financial statements, except for the statement of cash flows, are prepared on the accrual basis using the historical cost concept. The statement of cash flows is prepared using the direct method.

### **(c) Annual accounting period**

The annual accounting period of the Company is from 1 January to 31 December.

**(d) Accounting and presentation currency**

The Company's accounting currency is Vietnam Dong ("VND"), which is also the currency used for financial statement presentation purpose.

**3. Summary of significant accounting policies**

The following significant accounting policies have been adopted by the Company in the preparation of these financial statements.

**(a) Foreign currency transactions**

Transactions in currencies other than VND during the year have been translated into VND at rates approximating actual rates of exchange ruling at the transaction dates.

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the account transfer buying rate/account transfer selling rate at the end of the annual accounting period quoted by the commercial bank where the Company most frequently conducts transactions.

All foreign exchange differences are recorded in the statement of income.

**(b) Cash and cash equivalents**

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**(c) Investments****(i) Investment in fund certificates**

Investments in fund certificates, including open-end fund certificates, are initially stated at purchase price and the cost of acquisition (original cost); then, are stated at original cost less allowance for diminution (if any).

Allowance for diminution is the difference between original cost and net asset value (NAV) of investment which is computed on capital contribution rate in case the net asset value is less than original cost. Increases or decreases of the allowance balance are recorded to financial expenses/income account during the year.

**(ii) Other short-term investments**

Short-term investments include deposits at bank with the original terms ranging from over three months to one year.

**(d) Accounts receivable**

Trade and other receivables are stated at cost less allowance for doubtful debts (if any).

**(e) Tangible fixed assets****(i) Cost**

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repair, maintenance and overhaul cost, is charged to the statement of income in the year in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

**(ii) Depreciation**

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

▪ office equipment	3 years
▪ motor vehicles	6 years

**(f) Intangible fixed assets****(i) Software**

Cost of acquisition of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software is amortised on a straight-line basis over its useful life of 3 years.

**(ii) Golf club memberships**

Golf club memberships are recorded at cost and amortised on a straight-line basis over 20 years.

**(g) Accounts payable**

Trade and other payables are stated at their cost.

**(h) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(i) Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(j) Contributed capital**

Contributed capital is recognised on the contribution date at the actual amount contributed less any directly attributable transaction costs.

**(k) Reserves**

In accordance with Circular No. 146/2014/TT-BTC dated 6 October 2014 of the Ministry of Finance, realized profits of fund management companies after prior-year tax loss offset in accordance with the income tax law and income tax payment are distributed as follows:

	<b>Annual allocation</b>	<b>Maximum balance</b>
Reserve to supplement allocated capital:	5% of profit after tax	10% of charter capital
Financial reserve:	5% of profit after tax	10% of charter capital

Reserve to supplement allocated capital is established to supplement the charter capital of the Company when necessary. Financial reserve is allocated from profit after tax and is to cover losses incurred during the normal course of business. These statutory reserves are non-distributable and are classified as equity.

Investment and development fund is allocated from profit after tax and is to expand the Company's operations and investments. This fund is appropriated at year end in accordance with the Company's decision and is distributable.

**(l) Revenue and other incomes****(i) Services rendered**

Revenue from services rendered is recognised in the statement of income in proportion to the stage of completion of the transaction at the end of the annual accounting period. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

**(ii) Management and consulting fee**

Management and consulting fee is recorded in the statement of income on the accrual basis in accordance with the terms and conditions of investment management/consulting contracts.

**(iii) Incentive fees**

Incentive fees are recorded in the statement of income when incurred if the increase in Net Asset Value of the entrusted portfolios is higher than a basis threshold as indicated in the entrustment contract.

**(iv) Gains from investment in fund certificates**

Gains from investment in fund certificates are determined based on the difference between the selling prices and the average costs of fund certificates.

**(v) Dividend income**

Dividend income is recognised when the right to receive dividend is established. Share dividends are not recognised as income. Dividends received which are attributable to the period before investment acquisition date are deducted from the carrying amount of the investment.

**(vi) Interest income**

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable interest rate.

**(m) Operating lease payments**

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease expense.

**(n) Related parties**

Parties are considered to be related to the Company if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Company and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related companies refer to the investors, their ultimate parent companies, subsidiaries and associates of investors and funds managed by the Company.



**(o) Nil balances**

Items or balances required by the Circular 125 that are not shown in these financial statements indicate nil balances.

**4. Cash and cash equivalents**

	31/12/2017 VND	31/12/2016 VND
Cash on hand	4,814,719	8,706,929
Cash at banks	5,660,624,887	8,569,371,176
Cash equivalents (i)	2,545,799,340	8,586,735,041
	8,211,238,946	17,164,813,146

- (i) Cash equivalents at 31 December 2017 included deposits at banks in VND with terms not exceeding 3 months and interest rates of 5.5% per annum (31/12/2016: from 5.3% to 5.5% per annum).

**5. Short-term investments**

	31/12/2017 VND	31/12/2016 VND
Investment in fund certificates (i)	34,658,640,000	34,658,640,000
Other short-term investments (ii)	200,212,835,144	188,334,669,363
	234,871,475,144	222,993,309,363

- (i) Details of short-term investments in fund units are as follows:

	31/12/2017		31/12/2016	
	Quantity	Cost VND	Quantity	Cost VND
VCBF Tactical Balanced Fund ("VCBF-TBF")	1,709,027.88	17,158,640,000	1,709,027.88	17,158,640,000
VCBF Blue Chip Fund ("VCBF- BCF")	1,743,027.88	17,500,000,000	1,743,027.88	17,500,000,000
	3,452,055.76	34,658,640,000	3,452,055.76	34,658,640,000

- (ii) Other short-term investments represent term deposits at banks with the original term from more than three months to 13 months. These balances are denominated in VND and earn annual interest rates ranging from 6.2% to 7.0% per annum (31/12/2016: from 6.1% to 6.9% per annum).

**6. Receivables from operating activities**

	31/12/2017 VND	31/12/2016 VND
Management fee receivable	11,138,305,655	7,229,855,219
Other receivables from operating activities	209,994,202	74,914,472
	<u>11,348,299,857</u>	<u>7,304,769,691</u>

**7. Other receivables**

	31/12/2017 VND	31/12/2016 VND
Interest receivable from deposits at banks	6,350,793,623	4,920,524,255
Other receivables	-	538,219,617
	<u>6,350,793,623</u>	<u>5,458,743,872</u>

**8. Tangible fixed assets**

<b>2017</b>	<b>Office equipment VND</b>	<b>Motor vehicles VND</b>	<b>Total VND</b>
<b>Cost</b>			
Opening balance	2,697,877,425	3,483,355,714	6,181,233,139
Additions	197,560,000	-	197,560,000
Closing balance	2,895,437,425	3,483,355,714	6,378,793,139
<b>Accumulated depreciation</b>			
Opening balance	2,232,006,666	3,483,355,714	5,715,362,380
Charge for the year	234,578,946	-	234,578,946
Closing balance	2,466,585,612	3,483,355,714	5,949,941,326
<b>Net book value</b>			
Opening balance	465,870,759	-	465,870,759
Closing balance	428,851,813	-	428,851,813
<b>2016</b>			
<b>Cost</b>			
Opening balance	2,102,304,425	3,483,355,714	5,585,660,139
Additions	595,573,000	-	595,573,000
Closing balance	2,697,877,425	3,483,355,714	6,181,233,139
<b>Accumulated depreciation</b>			
Opening balance	1,822,303,542	3,483,355,714	5,305,659,256
Charge for the year	409,703,124	-	409,703,124
Closing balance	2,232,006,666	3,483,355,714	5,715,362,380
<b>Net book value</b>			
Opening balance	280,000,883	-	280,000,883
Closing balance	465,870,759	-	465,870,759

Included in the cost of tangible fixed assets were assets costing VND5,586 million which are fully depreciated as of 31 December 2017 (31/12/2016: VND5,548 million), but which are still in active use.

**9. Intangible fixed assets**

<b>2017</b>	<b>Software</b>	<b>Golf club memberships</b>	<b>Total</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>
<b>Cost</b>			
Opening balance and closing balance	1,184,134,895	1,578,528,000	2,762,662,895
<b>Accumulated amortisation</b>			
Opening balance	526,282,176	737,070,735	1,263,352,911
Charge for the year	394,711,632	78,926,400	473,638,032
Closing balance	920,993,808	815,997,135	1,736,990,943
<b>Net book value</b>			
Opening balance	657,852,719	841,457,265	1,499,309,984
Closing balance	263,141,087	762,530,865	1,025,671,952
<b>2016</b>			
	<b>Software</b>	<b>Golf club memberships</b>	<b>Total</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>
<b>Cost</b>			
Opening balance and closing balance	1,184,134,895	1,578,528,000	2,762,662,895
<b>Accumulated amortisation</b>			
Opening balance	131,570,544	658,144,335	789,714,879
Charge for the year	394,711,632	78,926,400	473,638,032
Closing balance	526,282,176	737,070,735	1,263,352,911
<b>Net book value</b>			
Opening balance	1,052,564,351	920,383,665	1,972,948,016
Closing balance	657,852,719	841,457,265	1,499,309,984

**10. Deferred tax assets****(i) Recognised deferred tax assets**

	31/12/2017 VND	31/12/2016 VND
Deferred tax assets:		
Tax losses carried forward	8,017,867,871	10,154,311,841
Unrealised foreign exchange losses	-	284,035
	<hr/>	<hr/>
Deferred tax assets	8,017,867,871	10,154,595,876
	<hr/>	<hr/>

**(ii) Tax loss**

The tax losses expire in the following years:

Year of expiry	Status of tax review	Tax losses available 31/12/2017 VND	Tax losses available 31/12/2016 VND
2017	Finalised	-	4,745,281,113
2018	Finalised	13,844,884,730	19,781,823,472
2019	Outstanding	7,367,126,347	7,367,126,347
2020	Outstanding	18,877,328,271	18,877,328,271
		<hr/>	<hr/>
		40,089,339,348	50,771,559,203
		<hr/>	<hr/>

**11. Other long-term assets**

Other long-term assets represent deposits for office rental of the Company.

**12. Taxes and others payable to State Treasury**

	31/12/2017 VND	31/12/2016 VND
Personal income tax	484,785,731	2,492,593,374
Value added tax	85,145,809	67,205,574
	<hr/>	<hr/>
	569,931,540	2,559,798,948
	<hr/>	<hr/>

### 13. Contributed capital

The Company's authorised and contributed charter capital is:

	31/12/2017		31/12/2016	
	VND	%	VND	%
Joint Stock Commercial Bank for Foreign Trade of Vietnam	135,150,000,000	51%	135,150,000,000	51%
Franklin Templeton Capital Holdings Private Limited	129,850,000,000	49%	129,850,000,000	49%
	<u>265,000,000,000</u>	<u>100%</u>	<u>265,000,000,000</u>	<u>100%</u>

### 14. Total revenue

Total revenue represents the gross invoiced value of services rendered exclusive of value added tax.

Revenue comprised:

	2017 VND	2016 VND
Management fees from entrusting investment management activities (i)	27,609,105,424	23,580,431,199
Management fees from fund management activities (ii)	8,656,142,188	4,339,571,241
Incentive fees (iii)	1,950,027,058	1,113,371,637
Investment consulting fees	-	4,875,925,950
Others	1,804,269,865	683,821,564
	<u>40,019,544,535</u>	<u>34,593,121,591</u>

- (i) The Company is managing investment portfolios for some customers. The Company earns management fee based on the committed fund or Net Asset Value of the entrusting investment portfolios.
- (ii) The Company is managing VCBF Tactical Balanced Fund and VCBF Blue Chip Fund. Under the funds' charters, the funds are charged by the Company a monthly management fee based on their Net Asset Value at month end.
- (iii) The Company also receives an annual performance incentive if Net Asset Value of the entrusted investment portfolios is higher than a basis threshold as indicated in the entrustment contracts.

**15. Operating expenses**

	<b>2017</b> <b>VND</b>	<b>2016</b> <b>VND</b>
Salary and related expenses	10,788,482,577	8,332,068,700
Depreciation of fixed assets	442,835,579	454,540,054
Other expenses	3,639,017,418	2,355,271,732
	<hr/> 14,870,335,574	<hr/> 11,141,880,486

**16. Financial income**

	<b>2017</b> <b>VND</b>	<b>2016</b> <b>VND</b>
Interest income from deposits at banks	13,616,751,889	13,183,966,369
Gains from investment in fund certificates	-	164,501,520
Foreign exchange gains	25,070,593	25,973,754
	<hr/> 13,641,822,482	<hr/> 13,374,441,643

**17. Financial expenses**

	<b>2017</b> <b>VND</b>	<b>2016</b> <b>VND</b>
Foreign exchange losses	2,739,908	22,604,588
	<hr/> 2,739,908	<hr/> 22,604,588

**18. General and administration expenses**

	<b>2017</b> <b>VND</b>	<b>2016</b> <b>VND</b>
Salary and related	17,075,326,483	24,617,075,810
Office rental	4,219,668,853	4,011,769,679
Public relation	1,123,266,162	904,301,893
Transportation	696,205,488	767,919,522
Depreciation of fixed assets	265,381,399	428,801,102
Telecommunication	424,454,753	482,215,458
Accommodation	127,011,860	230,531,314
Stationery	126,589,160	103,075,128
Tax and legal fee	29,139,046	17,092,000
Other expenses	4,197,501,717	3,286,708,202
	<hr/> 28,284,544,921	<hr/> 34,849,490,108

**19. Corporate income tax****(a) Recognised in the statement of income**

	2017 VND	2016 VND
<b>Current tax expense</b>		
Current year	-	-
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	2,136,728,005	374,331,121
Corporate income tax expense	2,136,728,005	374,331,121

**(b) Reconciliation of effective tax rate**

	2017 VND	2016 VND
Accounting profit before tax	10,503,746,614	1,953,588,052
Tax at the Company's tax rate	2,100,749,323	390,717,610
Non-deductible expenses	35,694,648	55,997,760
Changes in temporary differences	2,136,728,005	272,006,178
Tax losses utilised	(2,136,443,971)	(344,390,427)
	2,136,728,005	374,331,121

**(c) Applicable tax rates**

Under the terms of the prevailing Income Tax Law the Company has an obligation to pay the government income tax at the rate of 20% of taxable profits (2016: 20%).

**20. Cash held on behalf of entrusting investors**

Movements in cash held on behalf of entrusting investors during the year were as follows:

	2017 VND	2016 VND
Opening balance	329,623,240,398	206,611,803,804
Net (decrease)/addition	(205,526,159,916)	123,011,436,594
Closing balance	124,097,080,482	329,623,240,398



**21. Securities held on behalf of entrusting investors**

31/12/2017	Domestic entrusting investors VND	Foreign entrusting investors VND	Total VND
<b>Listed shares</b>	482,009,703,266	-	482,009,703,266
<i>Detail of devaluated securities:</i>			
BCC	17,192,651,691	-	17,192,651,691
CNG	12,071,265,768	-	12,071,265,768
DIH	278,189,785	-	278,189,785
DPM	12,391,363,878	-	12,391,363,878
GMC	1,926,630,701	-	1,926,630,701
PET	16,332,938,212	-	16,332,938,212
PLC	12,216,172,227	-	12,216,172,227
PSD	3,847,466,824	-	3,847,466,824
QNS	12,639,609,999	-	12,639,609,999
SDT	1,745,920,149	-	1,745,920,149
TCL	4,746,616,915	-	4,746,616,915
TLG	642,000	-	642,000
TMS	14,891,923,000	-	14,891,923,000
TRC	1,950,201,050	-	1,950,201,050
VIT	6,705,981,264	-	6,705,981,264
VNS	11,604,894,986	-	11,604,894,986
VSC	32,547,534,487	-	32,547,534,487
<b>Unlisted shares</b>	6,000,000,000	-	6,000,000,000
<b>Bonds</b>	1,039,024,309,709	486,694,092,226	1,525,718,401,935
	1,527,034,012,975	486,694,092,226	2,013,728,105,201

## 21. Securities held on behalf of entrusting investors (continued)

31/12/2016	Domestic entrusting investors VND	Foreign entrusting investors VND	Total VND
<b>Listed shares</b>	355,620,026,656	-	355,620,026,656
<i>Detail of devaluated securities:</i>			
ANV	1,487,245,035	-	1,487,245,035
BCC	1,704,000,000	-	1,704,000,000
DHG	5,538,962,000	-	5,538,962,000
DIH	543,515,302	-	543,515,302
DPM	19,862,058,818	-	19,862,058,818
DPR	3,286,452,500	-	3,286,452,500
DRC	3,734,573,584	-	3,734,573,584
FCN	2,147,730,515	-	2,147,730,515
GAS	6,284,738,564	-	6,284,738,564
HCM	8,809,675,500	-	8,809,675,500
HPG	54,800	-	54,800
LSS	8,314,985,303	-	8,314,985,303
MBB	7,503,555,444	-	7,503,555,444
NSC	4,342,045,000	-	4,342,045,000
NT2	15,974,979,718	-	15,974,979,718
PET	4,172,030,034	-	4,172,030,034
PGS	11,756,800,683	-	11,756,800,683
PSD	3,847,466,823	-	3,847,466,823
PVD	9,918,918,044	-	9,918,918,044
PVS	14,842,150,218	-	14,842,150,218
PVT	1,745,920,151	-	1,745,920,151
PHR	4,666,028,190	-	4,666,028,190
REE	19,604,522,763	-	19,604,522,763
SVI	1,271,939,051	-	1,271,939,051
TCM	1,119,417,297	-	1,119,417,297
TRC	1,519,550,000	-	1,519,550,000
VHC	147,914	-	147,914
VNS	1,718,100,000	-	1,718,100,000
<b>Unlisted shares</b>	6,000,000,000	-	6,000,000,000
<b>Bonds</b>	1,035,520,833,293	161,153,748,305	1,196,674,581,598
	1,397,140,859,949	161,153,748,305	1,558,294,608,254

**22. Receivables of entrusting investors**

	31/12/2017 VND	31/12/2016 VND
Dividends receivable	898,395,489	1,233,082,500
Interest receivable	25,787,818,253	24,301,292,086
Receivables from sale of securities	11,933,022,577	149,775,000
Other receivables	-	2,200,216,240
	<hr/> 38,619,236,319	<hr/> 27,884,365,826 <hr/>

**23. Payables of entrusting investor**

	31/12/2017 VND	31/12/2016 VND
Payables for purchases of securities	6,807,787,047	432,648,000
Payables on custody fees	417,959,600	213,402,226
Payables on entrusting investment management fees	10,168,189,391	6,776,033,796
Other payables	55,077,784	10,615,000
	<hr/> 17,449,013,822	<hr/> 7,432,699,022 <hr/>

**24. Significant transactions and balances with related parties****(a) Significant balances with related parties**

	Balance as at	
	31/12/2017 VND	31/12/2016 VND
<b>Joint Stock Commercial Bank for Foreign Trade of Vietnam</b>		
Deposits	5,660,624,887	8,569,371,176
Portfolio management fees	6,124,716,563	3,034,195,228
<b>Franklin Templeton Capital Holdings Private Limited</b>		
Portfolio management fees	1,489,996,347	1,406,580,914
<b>VCBF Tactical Balanced Fund</b>		
Investments in fund certificates	17,158,640,000	17,158,640,000
Receivables on fund management fee	312,767,911	190,433,632
<b>VCBF Blue Chip Fund</b>		
Investments in fund certificates	17,500,000,000	17,500,000,000
Receivables on fund management fee	658,270,625	263,387,792
	<hr/>	<hr/>

## (b) Significant transactions with related parties

	Transaction value	
	2017 VND	2016 VND
<b>VCBF Tactical Balanced Fund</b>		
Management fee	2,916,413,445	1,870,423,285
Commission fee	473,773,073	251,596,466
<b>VCBF Blue Chip Fund</b>		
Management fee	5,739,728,743	2,469,147,956
Commission fee	1,330,496,792	432,225,098
<b>Vietcombank Securities Co., Ltd</b>		
Repayment for entrusting investment contracts	-	(37,270,405,377)
Entrusting investment management fee	-	270,851,978
<b>Joint Stock Commercial Bank for Foreign Trade of Vietnam</b>		
Receipts of cash for entrusting investment contracts	-	500,000,000,000
Entrusting investment management fee	12,237,315,018	11,355,541,535
Interest income from deposits	26,128,498	33,007,084
<b>Franklin Templeton Capital Holdings Private Limited</b>		
Entrusting investment management fee	5,133,089,430	5,489,596,808
Investment consulting fees	-	4,875,925,950
<b>Board of Management</b>		
Salary and bonus	3,856,377,687	7,168,053,974

## 25. Financial risk management

The Company has exposure mainly to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

The total of carrying amounts of financial assets and amount of guarantee issued represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	31/12/2017 VND	31/12/2016 VND
Cash in banks and cash equivalents	(i)	8,206,424,227	17,156,106,217
Term deposits at banks	(i)	200,212,835,144	188,334,669,363
Receivables from operating activities	(ii)	11,348,299,857	7,304,769,691
Other receivables	(ii)	6,350,793,623	5,458,743,872
Other long-term assets	(ii)	911,213,086	1,153,537,086
		227,029,565,937	219,407,826,229

#### (i) Cash in banks, cash equivalents and term deposits at banks

Cash in banks, cash equivalents and term deposits at banks of the Company are mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits

#### (ii) Trade and other receivables

Account receivables mainly include management fee receivables and interest receivable from deposits at banks. Credit risk is considered minimal as these are mainly receivables from entrusting investments and funds managed by the Company and receivables from well-known financial institutions.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The financial liabilities with fixed or determinable payments have the following contractual maturities including the estimated interest payments:

	Carrying amount	Contractual undiscounted cash flow	Within one year
	VND	VND	VND
<b>31/12/2017</b>			
Accounts payable – trade	44,928,000	44,928,000	44,928,000
Accrued expenses	246,319,318	246,319,318	246,319,318
Other payables – short-term	5,029,613	5,029,613	5,029,613
	296,276,931	296,276,931	296,276,931
<b>31/12/2016</b>			
Accounts payable – trade	122,244,852	122,244,852	122,244,852
Accrued expenses	446,254,868	446,254,868	446,254,868
Other payables – short-term	42,016,564	42,016,564	42,016,564
	610,516,284	610,516,284	610,516,284

**(c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's results of operations or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**(i) Currency risk**

The Company had the following net monetary asset position exposed to currency risk:

	31/12/2017 VND equivalent	31/12/2016 VND equivalent
Cash and cash equivalents in USD	14,717,971	4,954,325,242

The followings are the significant exchange rates applied by the Company:

	Exchange rate as at	
	31/12/2017	31/12/2016
USD/VND	22,730	22,720

Below is an analysis of the possible impact on the net profit of the Company, after taking into account the current level of exchange rates and the historical volatility as well as market expectations as at 31 December. This analysis assumes that all other variables, in particular interest rates, remain constant:

	Effect to profit after tax	
	2017 VND	2016 VND
USD strengthens 2% against VND	294,359	99,086,505

As at 31 December 2017, the opposite movement of USD would have the equal but opposite effect to the profit after tax of the Company.

(ii) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate as a result of changes in market interest rates.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	31/12/2017 VND	31/12/2016 VND
<i>Fixed rate instruments</i>		
Cash in banks and cash equivalents	8,206,424,227	17,156,106,217
Term deposits at banks	200,212,835,144	188,334,669,363

**(iii) Other market price risk**

Market price risk is the risk that the value of the financial instruments will decrease as a result of change in equity indices and the values of individual securities. The Company invests and trades in fund units of the VCBF Tactical Balanced Fund and the VCBF Blue Chip Fund (*Note 5*) and is exposed to market price risk of listed securities in their investment portfolios.

As at 31 December 2017, market value of investments in these funds is VND67,589,027,066. If the market value of investments in these funds increased or decreased by 10% as at 31 December 2017 and all other variables remained constant, there is no impact to net profit after tax of the Company for the year.

Prepared by:



Ms. Ngo Thi Le Quyen  
Accountant

Reviewed by:



Ms. Nguyen Bang Tam  
Chief Accountant

26 March 2018

Approved by:



Mr. Vu Quang Dong  
Chief Executive Officer