

**2013 ANNUAL GENERAL MEETING REPORT**

## 2014 HSC ANNUAL OPERATION PLAN

According to the average trading value in the 1<sup>st</sup> quarter of 2014 of VND 3,200 billion per day and identify the market trend in near future, the Board of Management forecasts the average trading value in 2014 will be around VND 2,500 billion per day, an increase of 79% compared with that of VND 1,400 billion per day in 2013.

In 2014, HSC aims to maintain the market share close to 12%, details as follow:

	Target FY 2014	FY 2013	% increase /decrease
<b>Per Client Type</b>			
Retail Brokerage	7.5%	7.5%	0%
Institution Brokerage	4.1%	4.5%	-9%
Prop book	N/A	0.3%	N/A
<b>Total HSC</b>	<b>11.6%</b>	<b>12.2%</b>	<b>-5%</b>

**I. 2014 OPERATING PLAN**

	Plan FY 2014	FY 2013	% change to 2013
<b>Statement of income (VND million)</b>			
<b>Revenues</b>	<b>744,761</b>	<b>634,760</b>	<b>17%</b>
Private Client Division	387,951	263,383	47%
Institutional Client Division	129,795	121,847	7%
Corporate Finance Division	33,000	22,556	46%
Equity Investment Function	132,475	84,944	56%
Treasury Function	61,540	142,120	-57%
<b>Operating expenses</b>	<b>306,951</b>	<b>260,049</b>	<b>18%</b>
Net operating profit	437,810	374,711	17%
Other profit/(loss)	-	718	-100%
<b>Profit before tax</b>	<b>437,810</b>	<b>375,428</b>	<b>17%</b>
<b>Profit after tax</b>	<b>341,492</b>	<b>282,174</b>	<b>21%</b>
Return on average equity (ROAE)	15.4%	12.8%	

With more optimistic assumptions about the stock market conditions in 2014, revenues of the almost business divisions are predicted to grow, except the Treasury Function's revenues decreased due to the deposit interest rate and bond yield decrease compared to 2013 as well as the reallocation of funds when the market conditions recover.

Total revenues and total operating expenses in 2014 increase by 17% and 18% compared to 2013 respectively.

Corporate Income Tax rate decreases from 25% to 22% since 2014, profit after tax in 2014 was estimated at 341 billion, 21% higher than 2013.

Return on average equity (ROAE) will be at 15.4%, higher than that of 12.8% in 2013.

2014 Operating Plan of each division as follows:

## 1. PRIVATE CLIENT DIVISION

Private Client Division (VND Mil)	Forecast 2014	FY 2013	% change to 2013
<b>Total revenues</b>	<b>387,951</b>	<b>263,383</b>	<b>47%</b>
Brokerage	197,301	108,252	82%
Margin trading	189,150	151,076	25%
Others	1,500	4,055	-63%
Direct expense	147,077	94,707	55%
Indirect expense	36,534	38,824	-6%
<b>Total expenses</b>	<b>183,611</b>	<b>133,531</b>	<b>38%</b>
<b>Profit before tax</b>	<b>204,340</b>	<b>129,853</b>	<b>57%</b>
<b>% of HSC's total revenues</b>	<b>52.3%</b>	<b>41.4%</b>	

The revenues of Private Client Division estimate at VND 388 billion, 47% higher than 2013 and account for 52% of total HSC's revenue.

### 1.1 Brokerage fee

Brokerage fee will be VND 197 billion, increase by 82% compare with 2013, based on the following assumptions:

- The average trading value is projected at VND 2,500 billion, expected 79% higher than 2013;
- Private Client Brokerage's market share at 7.5%, the same level of 2013;
- Average brokerage fee rate at 0.21% of trading value, unchanged to 2013.

### 1.2 Margin trading

Total average margin balance is maintained at VND 1,500 billion (including Private Client Division and Institutional Client Division), increase by 63% compared with that of VND 922 billion in 2013. In which, total margin balance is allocated of 97% and 3% to Private Client Division and Institution Client Division respectively.

Average margin rate offered at 13% pa (2013 was 16.9% pa) as a result of dropping in interest rate and fierce competition.

### 1.3 Other revenues

Other revenues mainly come from shareholder management service, transfer securities and other services.

### 1.4 Operating expenses

The operating expenses of Private Client Division are predicted to increase by 38% compared to 2013, mainly due to an increase in commission to brokers and brokerage expenses paid to Exchanges in line with the growing in average trading value while the other operating expenses are flat.

## 2. INSTITUTIONAL CLIENT DIVISION

Institutional Client Division (VND Mil)	Forecast 2014	FY 2013	% change to 2013
<b>Total revenues</b>	<b>129,795</b>	<b>121,847</b>	<b>7%</b>
Brokerage	112,945	90,509	25%
Margin trading	5,850	4,745	23%
Revenues from using capital	10,000	23,638	-58%
Other revenues	1,000	2,955	-66%
Direct expense	64,729	55,886	16%
Indirect expense	7,696	9,258	-17%
<b>Total expenses</b>	<b>72,425</b>	<b>65,144</b>	<b>11%</b>
<b>Profit before tax</b>	<b>57,370</b>	<b>56,703</b>	<b>1%</b>
<b>% of HSC's total revenues</b>	<b>17.5%</b>	<b>19.2%</b>	

Revenues of Institution Client Division are predicted at VND 130 billion, increase by 7% compared to 2013 and accounted for 17% of total HSC's revenues.

### 2.1 Brokerage fee

Brokerage fee is estimated at 25% increase to 2013, based on the following assumptions:

- Average trading value is projected at VND 2,500 billion and foreign trading value accounts for 14% of total market trading value (10% in Q1-2014);
- HSC's foreign trading value is 28% of total market foreign trading value (32% in 2013), equivalent to 4,1% total market trading value;
- There is no placement fee in 2014.

### 2.2 Margin trading

Total margin balance is allocated in proportion to 3% for Institution Client Division with an average margin rate at 13% pa (refer to margin trading of Private Client Division).

### 2.3 Revenues from using capital

The average used capital is estimated at VND 20 billion with a return rate at 50% pa to derive VND 10 billion.

### 2.4 Other revenues

Other revenues mainly come from the research services.

### 2.5 Operating expenses

The operating expenses of Institution Client Division mainly include commission to brokers for introducing customers to HSC and salary expenses. The operating expenses are predicted to increase by 11% due to commission rise affected by increase in average trading value while other operating expenses are flat.

### 3. CORPORATE FINANCE DIVISION

Corporate Finance Division (VND Mil)	Forecast 2014	FY 2013	% change to 2013
<b>Total revenues</b>	<b>33,000</b>	<b>22,556</b>	<b>46%</b>
Advisory fee	18,000	16,971	6%
Mezzanine financing	15,000	5,585	169%
Direct expense	10,861	10,790	1%
Indirect expense	4,522	4,914	-8%
<b>Total expenses</b>	<b>15,383</b>	<b>15,705</b>	<b>-2%</b>
<b>Profit before tax</b>	<b>17,617</b>	<b>6,852</b>	<b>157%</b>
<b>% of HSC's total revenues</b>	<b>4.4%</b>	<b>3.5%</b>	

#### 3.1 Advisory fee

Advisory fees is predicted at VND 18 billion.

#### 3.2 Mezzanine financing

Revenues from mezzanine financing activities are predicted at VND 15 billion with the average capital of VND 100 billion and the expected return rate at 15% pa.

#### 3.3 Operating expenses

The operating expenses are the same as 2013.

### 4. EQUITY INVESTMENT FUNCTION

Equity Investment (VND Mil)	Forecast 2014	FY 2013	% change to 2013
<b>Total revenues</b>	<b>132,475</b>	<b>84,944</b>	<b>56%</b>
Income from equity investment	132,475	84,944	56%
Direct expense	2,601	2,309	13%
Indirect expense	1,216	1,229	-1%
<b>Total expenses</b>	<b>3,817</b>	<b>3,539</b>	<b>8%</b>
<b>Profit before tax</b>	<b>128,658</b>	<b>81,405</b>	<b>58%</b>
<b>% of HSC's total revenues</b>	<b>17.9%</b>	<b>13.4%</b>	

#### 4.1 Equity investment

Revenues from equity investment are predicted at VND 132 billion, increase by 56% compared to 2013 and account for 18% of our revenues, including:

- Investment in OTC shares: the remaining portfolio since 2007 with the expected return rate at 3% pa from receiving dividends.
- Investment in listed shares and fund certificates: Average portfolio size is estimated at VND 250 billion and return rate of 52% pa, in which:
  - ❖ At the end of 2013, balance of the fund certificates portfolio was VND 165 billion with unrealized gains of VND 57 billion. Majority of this portfolio was realized in Q1-2014;
  - ❖ Average capital of the listed share portfolio in 2014 is estimated at VND 210 billion with average return rate at 35% pa based on the assumption on an increase by 25% of VNIndex in 2014 (at the beginning of 505 point up to 630 point at the end of 2014) higher than that of 17% in 2013.

## 4.2 Operating expenses

The operating expenses are estimated no significant changes compared to 2013, mainly include securities investment expenses; provision for impairment of investments and salary expenses. According to regulations, gains (selling price higher than purchased price) on securities investment and trading are recognised in revenue from securities investment, while losses (selling price is lower than purchased price) are recognised in securities investment expenses.

## 5. TREASURY FUNCTION

Treasury (VND mil)	Forecast 2014	FY 2013	% change to 2013
<b>Total revenues</b>	<b>61,540</b>	<b>142,120</b>	<b>-57%</b>
Interest income	36,340	90,727	-60%
Bond investment	25,200	44,293	-43%
Repo bond	-	6,159	-100%
Other revenues	-	940	-100%
Direct expense	11,499	28,501	-60%
Indirect expense	1,216	1,229	-1%
<b>Total expenses</b>	<b>12,714</b>	<b>29,730</b>	<b>-57%</b>
<b>Profit before tax</b>	<b>48,826</b>	<b>112,390</b>	<b>-57%</b>
<b>% of HSC's total revenues</b>	<b>8.3%</b>	<b>22.4%</b>	

Revenues from Treasury Function are predicted at VND 62 billion, decrease by 57% compared to 2013 mainly due to the drop in interest income and bond investments.

### 5.1 Interest income

Revenue from bank deposits is estimated at VND 36 billion, decrease by 60% compared to 2013 due to interest rates drop to 5.5% pa in 2014 from 7.5% pa in 2013 and funds allocated to other business activities with higher return rates.

### 5.2 Bond investment

Bond investment portfolio is predicted at VND 280 billion with average yield at 9% pa (average capital in 2013 was VND 405 billion with average yield at 10.9% pa) to derive VND 25 billion revenues in 2014;

Although the bond yield in 2014 predicted to be lower than in 2013, but this rate is still higher than bank deposit rates. In addition, investing in bonds will be premises for reverse repo transactions that HSC used bonds from investment to borrow money from financial institutions, the amount received is used to fund business operations with higher levels of profitability.

### 5.3 Bond repo

Bond repo transactions in 2014 are not expected to arise as in 2013 (2013: average bond repo of VND 48 billion with an average repo rate at 11.8% pa)

### 5.4 Operating expenses

Operating expenses of Treasury Function mainly include interest expenses for reverse repo transactions and salary expenses. Prediction revenue from reverse repo transactions will decrease in 2014, the average reverse repo balance falls from VND 357 billion to VND 224 billion and interest expenses also decreased correspondingly. This is the main reason for the decrease in operating expenses while salary expenses do not fluctuate significantly from 2013.

## II. ASSET ALLOCATION

Asset Allocation (VND mil)	Forecast average balance FY 2014	Average balance FY 2013	% change	As at 31/12/2013	% change
<b>1 Cash</b>	<b>747,814</b>	<b>1,290,534</b>	<b>-42%</b>	<b>1,007,874</b>	<b>-26%</b>
<b>2 Short term investment</b>	<b>352,500</b>	<b>312,951</b>	<b>13%</b>	<b>352,083</b>	<b>0%</b>
Listed shares	273,668	232,951	17%	273,757	0%
Unlisted shares	78,832	80,000	-1%	78,327	1%
<b>3 Accounts receivable</b>	<b>1,652,179</b>	<b>1,053,005</b>	<b>57%</b>	<b>1,408,278</b>	<b>17%</b>
Margin	1,500,000	921,681	63%	1,093,815	37%
Other receivables	145,218	76,662	89%	300,346	-52%
Repo agreements	-	47,700	-100%	7,855	-100%
Other current assets	6,962	6,962	0%	6,262	11%
<b>4 Fixed asset</b>	<b>15,666</b>	<b>8,541</b>	<b>83%</b>	<b>7,370</b>	<b>113%</b>
<b>5 Long-term investment</b>	<b>280,000</b>	<b>494,503</b>	<b>-43%</b>	<b>229,371</b>	<b>22%</b>
Bonds	280,000	405,466	-31%	229,371	22%
Shares	-	89,037	-100%	-	-
<b>6 Other long-term assets</b>	<b>123,532</b>	<b>124,932</b>	<b>-1%</b>	<b>122,805</b>	<b>1%</b>
<b>Total assets</b>	<b>3,171,691</b>	<b>3,284,466</b>	<b>-3%</b>	<b>3,127,781</b>	<b>1%</b>

- Cash: Average cash balance is estimated at VND 748 billion included VND 400 billion of investors' deposits;
- Short-term investments: average capital at VND 353 billion include investment in OTC of VND 79 billion and investment in listed shares at VND 274 billion;
- Account receivables: average balance is maintained as follows:
  - Average margin balance is VND 1,500 billion;
  - Average balance of mezzanine financing activities at VND 100 billion;
  - Other receivables at VND 45 billion.
- Fixed assets: average fixed assets' balance at VND 16 billion.
- Long-term investments: bond portfolio is VND 280 billion with coupon at 9% pa;
- Other long-term assets: mainly related to the prepaid AB Tower office rental in 40 years amounting to VND 102 billion; settlement assistance fund balance at VND 12 billion.

*Ho Chi Minh City, April 2<sup>nd</sup> 2014*  
**Chief Executive Officer**

**Johan Nyvene**