

Ho Chi Minh City, April 1, 2015

REPORT ON ANNUAL GENERAL MEETING OF SHAREHOLDERS OF FINANCIAL YEAR 2014

Ref: Business Plan in 2015

A. IMPLEMENTATION PLAN OF BUSINESS OPERATIONS IN 2015

The Management Board identified a number of factors likely to affect to Vietnam's stock market trends in 2015 with the following major points:

- Growth rate in the daily average trading value of the stock market in 3 past years reached 51% y/y, but the growth over the years has not been stable yet;
- The plan to complete the equitization of 435 state-owned enterprises by the end of 2015 with a large number of such companies being encouraged towards listing on the stock exchanges, if carried out successfully, should increase the supply of new listings on the market;
- New products such as Non-Voting Depository Receipts (NVDR), covered warrant are expected to launch by the end of 2015 will contribute to increase the liquidity of the market;
- Whereas, Circular No. 36/2014/TT-NHNN when comes into effectiveness may limit the liquidity of the market and restrict the lending in operations of credit institutions.

Therefore, the Board of Management predicts the average trading value of the whole market in 2015 is VND 4,000 billion/day, an increase of 33% compared with that of 2014.

Accordingly, the brokerage market share of HSC in 2015 aims to reach 11.1%, the details are as follows:

Brokerage market share	Plan 2015	2014	increase / (decrease)	Q1/2015
Per Client Type				
Private clients	8.0%	7.4%	0.6%	6.5%
Institutional clients	3.1%	3.0%	0.1%	3.4%
Proprietary investment	-	0.2%	N/A	0.1%
Total HSC	11.1%	10.6%	0.5%	10.0%
Foreign trading in Vietnam's market				
Market share of HSC	30.0%	28.5%	1.5%	27.0%

Source: HSC

Actual average daily trading value in the 1st quarter of 2015 (Q1/2015) was only VND 2,300 billion, decreased by 23% compared to the average level in 2014 (VND 3,000 billion), and accounting to 58% compared with the assumptions made in the plan of 2015.

BUSINESS PLAN IN 2015

ITEMS (VND million)	Plan 2015	2014	% change	Prediction of Q1/2015	% Plan 2015
Revenue	779,171	831,135	-6%	129,082	17%
<i>In which:</i>					
<i>Brokerage fee</i>	416,027	299,432	39%	51,840	12%
<i>Margin + cash advance service</i>	212,500	248,786	-15%	53,733	25%
<i>Proprietary investment</i>	65,742	194,425	-66%	5,401	8%
<i>Interest on deposits</i>	52,395	67,241	-22%	15,509	30%
<i>Revenue from consultancy</i>	25,707	12,362	108%	1,723	7%
<i>Others revenue</i>	6,800	8,889	-23%	876	13%
Total operating expenses	363,519	349,692	4%	68,059	19%
Profit before tax	415,651	481,447	-14%	61,023	15%
Corporate Income Tax	91,443	105,295	-13%	13,366	15%
Profit after tax	324,208	376,152	-14%	47,656	15%
Return On Average Equity (ROAE)	13.7%	16.3%		8.1%	

Identifying the macroeconomic situation in 2015, interest rates remain at low level, the main sources of income of HSC will still be brokerage fee and margin income (accounting for 81% of the total revenue in 2015).

Revenue from proprietary investment (including stocks and bonds) is expected to reduce significantly because revenue in 2014 had the contribution of key operations such as:

- Realizing profits from the rest of fund certificates portfolio (purchased in 2011) in Q1/2014;
- Immediately realizing profits from large bond lots in Q1 and Q3/2014 when bond yields across the terms decreased rapidly in the year.

Revenue from interest on bank deposits reduces compared to 2014 primarily due to the deposit interest rates are expected to decline in 2015.

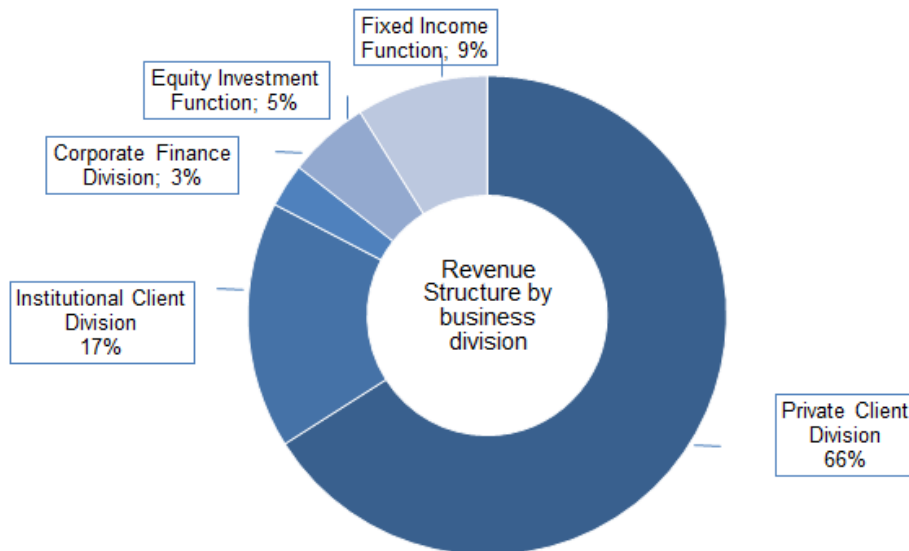
Operating expenses in 2015 are predicted to increase by 4% compared to 2014 primarily due to a rise in the direct costs related to the increase in the trading value of HSC.

Profit after tax in 2015 is anticipated to reach VND 324 billion, falling by 14% compared to 2014 with the Corporate Income Tax rate at 22%.

Return On Average Equity (ROAE) in 2015 is predicted to reach 13.7%, lower than that of 16.3% of 2014.

Business Plan in 2015 will be presented in revenue by each business division and operating expenses under costs of the whole company as follows:

I. REVENUE BY BUSINESS DIVISION



1. Private Client Division

Private Client Division (VND million)	Plan 2015	FY2014	% change	Estimation Q1/2015	% Plan 2015
Brokerage fee	295,992	210,582	41%	34,179	12%
Margin + cash advance	212,500	247,269	-14%	53,413	25%
Other revenue	5,800	5,801	0%	990	17%
Total	514,292	463,652	11%	88,582	17%

a. Brokerage fee

Revenue from brokerage fee of Private Client Division is predicted to increase by 41% compared to 2014 on the following assumptions:

- Average trading value is VND 4,000 billion/day, an increase of 33% compared to 2014;
- Market share of the Private Client Division strives for 8.0% (2014: 7.4%) and the average trading fee at 0.19% of the transaction value, rate same as in 2014.

b. Revenue from margin trading and advances to investors for securities trading

Total average margin and advances balance in 2015 are predicted to be at VND 1,700 billion, increases by 3% from VND 1,656 billion in 2014.

Average margin interest rate is expected at 12.5% pa, lower than that of 15% pa in 2014 due to a decrease in the market deposit rate and increasing competition in terms of margin interest rates of peer companies.

Based on the actual situation of 2014 and assuming that there is no demand of margin trading from Institutional Client Division in 2015, the entire margin balance is predicted to be used only for Private Client Division.

c. Other revenue

Other revenue includes fees from securities depository, shareholders management service, the transfer of securities and other services.

2. Institutional Client Division

Institutional Client Division (VND million)	Plan 2015	FY2014	% change	Estimation of Q1/2015	% Plan 2015
Brokerage fee	120,035	88,574	36%	17,653	15%
Margin + cash advance	-	1,517	-100%	320	
Revenue from using capital	7,000	9,774	-28%	1,350	19%
Other revenue	2,707	4,112	-34%	412	15%
Total	129,741	103,976	25%	19,734	15%

a. Brokerage fee

Revenue from brokerage fee of Institutional Client Division is predicted to increase by 36% compared to 2014 on the following assumptions:

- Average trading value is VND 4.000 billion/day, an increase of 33% compared to 2014;
- Trading value of foreign investors is occupied at 10% of total market trading, equivalent to 2014;
- Trading value of foreign investors in HSC is predicted to reach 30% of the trading value of foreign investors of the whole market (2014: 28.5%), corresponding to 3.1% of total market trading value;
- Average brokerage fee is of 0.16% of trading value, same as in 2014.

b. Revenue from margin trading and advances to investors for securities trading

It is predicted that there is no demand for margin trading from institutional client arising in 2015

c. Revenue from using capital

It is predicted that use of capital activity brings VND 7 billion with average used capital of VND 20 billion and return rate of 35% pa (in 2014: average used capital was VND 17 billion, return rate is of 39% pa).

d. Other revenue

Other revenue is mainly from services of market research information supply.

3. Corporate Finance Division

Corporate Finance Division (VND million)	Plan 2015	FY2014	% change	Estimation of Q1/2015	% Plan 2015
Advisory fees	23,000	10,901	111%	1,180	5%
Total	23,000	10,901	111%	1,180	5%

Revenue from Corporate Finance Division in 2015 is estimated at VND 23 billion, including advisory fee and underwriting fee.

4. Equity Investment Function

Equity Investment Function (VND million)	Plan 2015	FY2014	% change	Estimation of Q1/2015	% Plan 2015
Listed stocks and fund certificates	42,000	134,967	-69%	1,483	4%
Over-the-counter (OTC)	742	619	20%	268	36%
Total	42,742	135,586	-68%	1,752	4%

a. Listed stocks and fund certificates

This portfolio in 2015 is expected to generate VND 42 billion with the average investment of VND 214 billion and average return rate of 20% pa (in 2014: average investment value was of VND 105 billion and return rate was of 115% pa) assuming VNIndex will grow 16% from 545 points to 632 points at the end of 2015 (VNIndex growth of 2014 was of 8%), in which:

- Listed securities portfolio generates VND 30 billion on an average investment value of VND 154 billion and average return rate of 20% pa;
- Portfolio of fund certificates in 2015 contributes VND 12 billion on an average investment value of VND 60 billion and the expected return rate of 20% pa.

b. Over-the-counter (OTC)

OTC portfolio is largely investment remained from the previous years with a value after provisions of VND 53 billion and the expected return rate is 1% pa from stock dividend (in 2014: average investment value was of VND 80 billion and return rate of 1% pa).

The average investment capital of the whole portfolios in 2015 is VND 267 billion and the average return rate is of 16% pa (in 2014: the average investment value was at VND 185 billion and average return rate of 49% pa).

5. Fixed Income Function

Fixed Income Function (VND million)	Plan 2015	FY2014	% change	Estimation of Q1/2015	% Plan 2015
Interest on bank deposits	52,395	67,241	-22%	15,509	30%
Bond investment	16,000	48,251	-67%	2,300	14%
Repo of bonds	-	796	-100%	-	-
Other revenue	1,000	732	37%	8	1%
Total	69,395	117,020	-41%	17,817	26%

a. Interest on bank deposits

Revenue from interest on bank deposits is expected to reach VND 52 billion with an average balance of deposits at VND 1,265 billion (in 2014: VND 1,250 billion) and an average interest rate of 4.5% pa (in 2014 : 5.8% pa).

b. Bond investment

Bond Investment in 2015 is predicted to generate VND 16 billion with an average investment value of VND 200 billion and expected yield is 8% pa (in 2014: the average investment was VND 176 billion and the average yield was of 27% pa).

Bond interest rate in the market has maintained at low level, thus the bond investment does not bring as positive profit as that of 2014. Instead, the bond investment is to receive bond's coupon and to be used for bond reverse repo operation.

c. Repo of bonds

It is forecasted that bond repo in 2015 will not arise (lending secured by bonds) as in 2014 (in 2014: the average balance was VND 4 billion with the average repo interest rate of 15% pa).

d. Other revenue

Other revenue includes revenue from bond brokerage fee and bond tender fee.

II. OPERATING EXPENSES IN 2015

Operating expense (VND million)	Plan 2015	FY2014	% change	Estimation of Q1/2015	% Plan 2015
Salary and related expenses	101,930	92,137	11%	23,680	23%
Commission to brokers	87,368	63,556	37%	9,878	11%
Brokerage to Stock Exchange	67,911	50,745	34%	8,451	12%
Outside services	39,016	39,583	-1%	8,406	22%
Office rental & renovation	22,590	15,903	42%	5,182	23%
IT related costs	20,085	16,877	19%	4,353	22%
Depreciation expenses	11,571	4,255	172%	1,232	11%
Others expenses	13,048	36,368	-64%	7,681	59%
Provision/(Reversal) for securities impairment	-	36,865	-100%	(803)	
Provision/(Reversal) for doubtful debts	-	(6,597)	-100%		
Total	363,520	349,692	4%	68,059	19%
<i>% Total operating expenses/total revenue</i>	<i>47%</i>	<i>42%</i>		<i>53%</i>	

Total operating expenses in 2015 are expected to grow 4% compared to 2014 primarily due to the increase in the direct costs related to the increase in trading value in HSC and the operation expansion as well as the necessary investment in infrastructure of HSC.

The growth rate of operating expenses is lower than rate of decline of revenue compared to 2014, the total operating expenses/total revenue (CIR) ratio reaches 47%, higher than that of 42% of 2014.

Some of the major expenses of 2015 are as follows:

1. Salary and related expenses

This expense increases by 11% compared to 2014, the causes are mainly from:

- A number of new personnel hired for 2 more transaction offices in early 2015 and the demand of personnel of other departments leads to salary expense increase by 9%;
- Personnel joined HSC from 2014 and the increase of salary revision from the 3rd quarter of 2014 leads to salary expense in 2015 increase by 2%.

2. Commission to brokers and brokerage fee to Stock Exchange

These expenses increase in line with the growth rate of the trading value in HSC in 2015;

3. Expense for outside services

Expense for outside services does not change significantly compared to 2014, primarily includes costs of independent audit, internal audit, and consultancy services for Business Process Improvement project (BPI), the cost of money inspection and counting of banks in transaction offices and other outside costs;

4. Expense for office rent and renovation

Expenses for office rent and renovation increase by 42% compared to 2014 because there are 2 new transaction offices in Nguyen Van Troi (HCM) and in Lang Ha (Hanoi) while current office lease contracts are long-term contracts with agreed stable prices, so they do not rise in 2015;

5. Expense related to information technology

Expense related to information technology increases by 19% compared to 2014 primarily due to the increase of operating expense of new projects in 2015: Disaster Recovery site (DR site), maintenance service of data center, maintenance service of Customer Relationship Management project (CRM), and maintenance expense of trading system;

6. Depreciation expenses

Expense for depreciation of fixed assets is nearly two fold of 2014 due to the increase of new fixed assets in 2015 largely related to information technology assets (accounting for 95% of total depreciation expense in 2015). The new investment is to ensure the stability of the business operation and meet the needs of development of new products in the future.

Expense for depreciation of fixed assets in 2015 includes:

- Depreciation expense of existing assets is of VND 4.2 billion, substantially unchanged compared to 2014;
- Depreciation expense of new assets is of VND 7.3 billion and primarily related to information technology assets, as detailed below:

Item (VND million)	Value of investment	Amortization (year)	Annual depreciation amount			
			2015	2016	2017	2018
Derivatives Trading Platform	8,000	4	2,000	2,000	2,000	2,000
Platform of the management system of IT services (ITIL)	1,100	3	367	367	367	367
Implement Disaster Recovery Plan (DRP)	8,000	4	2,000	2,000	2,000	2,000
Business Intelligence platform	2,000	3	667	667	667	667
Enterprise Security	2,000	3	667	667	667	667
End-to-End monitoring system	1,100	3	367	367	367	367
MS Licenses	1,500	3	500	500	500	500
VMWare license	660	3	220	220	220	220
Procurement of IT system for new transaction offices	1600	3	533	533	533	-
Total	25,960		7,320	7,320	7,320	6,787

7. Provision:

Provision for investment impairment and doubtful debts are predicted not to arise in 2015;

8. Other expenses:

Other expenses of 2015 are predicted to increase/decrease insignificantly compared to 2014 and in accordance with the actual operation of the Company.

III. ASSET ALLOCATION IN 2015

Asset allocation (VND million)	%	Averaged prediction in 2015	Average balance in 2014	% change	Averaged estimation in Q1/2015
Cash	35%	1,270,811	1,295,109	-2%	1,328,390
Short-term investments	8%	287,000	255,660	12%	189,263
Listed stock		234,000	173,960	35%	124,478
Over-the-counter		53,000	81,700	-35%	64,785
Receivables	47%	1,706,604	1,676,318	2%	1,379,003
Margin+ advance service		1,700,000	1,655,507	3%	1,348,000
Other Receivables		6,604	20,811	-68%	20,962
Other short-term assets		6,962	6,962	0%	10,041
Fixed assets	0%	14,731	7,537	95%	9,611
Long-term investments	6%	200,000	121,000	65%	61,711
Bonds		200,000	121,000	65%	61,711
Other long-term assets	3%	118,600	120,000	-1%	122,272
Total		3,604,708	3,482,586	4%	3,100,292

Total assets in 2015 are mainly distributed in the form of receivables, cash, short-term and long-term investments. In which:

1. Cash: average cash balance in 2015 is estimated at VND 1,270 billion after allocation for margin trading, bonds investments and listed shares investments. The cash balance is included VND 600 billion of investors' deposits.
2. Short-term financial investments: average investment value after provision in 2015 is predicted at VND 287 billion, including:
 - Portfolio of OTC stocks: VND 53 billion;
 - Portfolio of listed shares and fund certificates: VND 234 billion.
3. Receivables: average balance of receivables is mainly balance of margin trading, estimated at VND 1,700 billion.
4. Long-term investments are mainly government bond portfolio with average investment estimated at VND 200 billion;
5. Average value of fixed assets in 2015 is estimated at VND 15 billion.
6. Other long-term assets mainly include advance payments for office rental in AB Tower, office rental deposits and balance of the Settlement Assistance Fund.

Above is the business plan of Ho Chi Minh City Securities Corporation in 2015 submitted to the General Meeting of Shareholders to consider and approve.

CHIEF EXECUTIVE OFFICER

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