



REPORT

2018 ANNUAL GENERAL MEETING

Subject: HSC Business Performance 2018

A. VIETNAM SECURITIES MARKET IN 2018

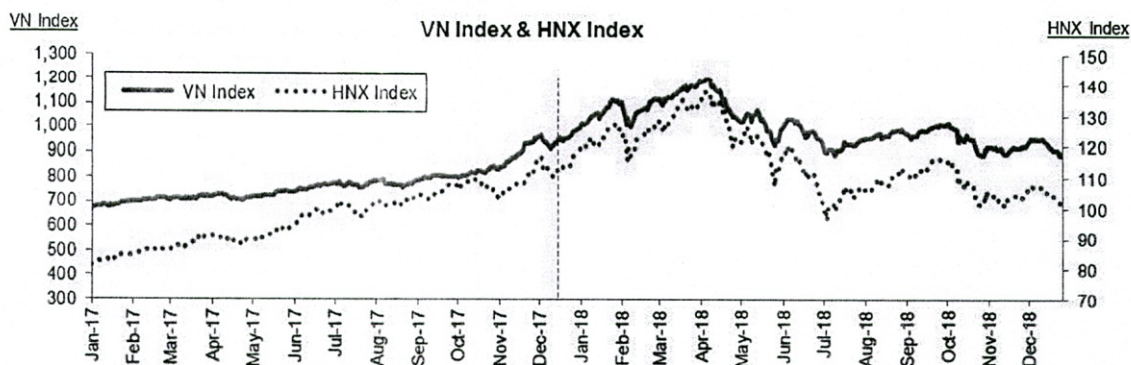
Vietnam Stock Market:

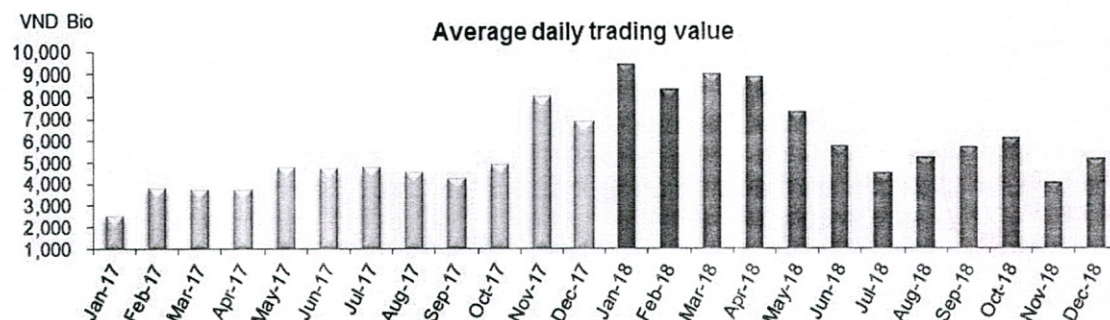
Vietnam's economy grew impressively in 2018, achieving GDP growth of 7.1%, the highest in the last 10 years. However, Vietnam's stock markets witnessed marked volatility last year. In the first quarter, the VN-index increased by more than 19.3%, as investors remained bullish about the favorable conditions surrounding the Vietnamese economy and as foreign investors continued to pour capital into the market. As a result, many stock prices, especially companies with large market capitalizations, increased to all-time highs, both in terms of market price and P/E valuations.

The trade dispute between the U.S. and China, although started in early 2017, intensified in 2018. On March 23 the U.S. started to impose tariffs on aluminum products imported from China. China retaliated by applying tariffs on products exported from the U.S., including soybean and automobiles. These tit-for-tat tariffs between the world's two largest economies negatively impacted investor sentiment in the global markets. In addition, on March 21, 2018, the U.S. Federal Reserve (the "Fed") increased its key interest rate and signaled another two hikes by the end of 2018. Higher interest rates triggered capital outflows from emerging markets, including Vietnam. Facing these headwinds, Vietnam's stock markets plunged significantly in the second quarter of the year, dropping by almost 20%.

The stock market recovered slightly in the third quarter but again turned bearish in the last quarter of the year. Investors were concerned about a decelerating global economy as a result of the ongoing trade war and Fed rate hikes. Weak economic data from the Chinese economy in the fourth quarter also intensified investor concerns. The VN-Index closed the year at 892 points, a drop of 9% over 2017. The HNX-Index also plunged by 11% to 104 points.

The average daily trading value was VND6,535 billion, which was an increase of 30% y-o-y, and was only 82% of the figure targeted by HSC for 2018 at the level VND8,000 billion per day. In line with stock market volatility, market liquidity was also high at VND9,000 billion per day in the first quarter, reducing to VND7,200 billion in the second quarter, and then further to a stable level of approximately VND5,100 billion in the last two quarters of 2018.



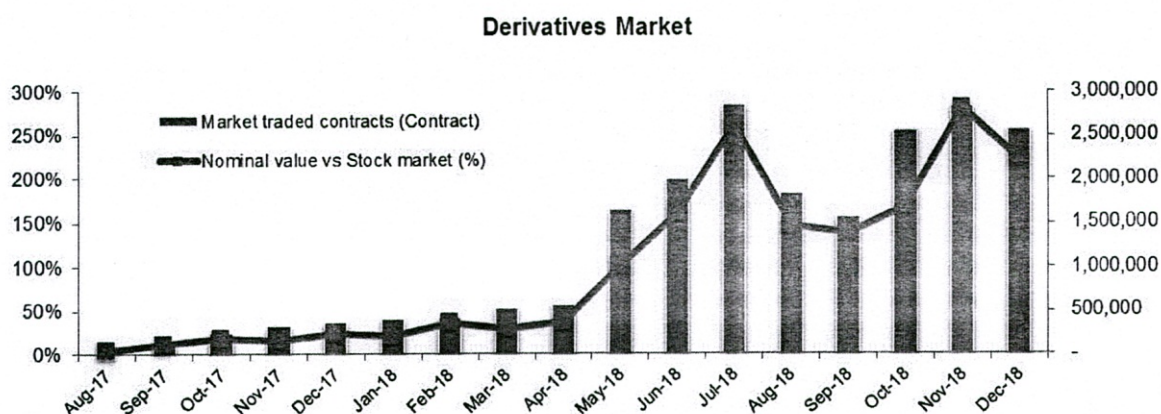



Changes in stock market liquidity were primarily driven by the trading activities of local investors. The trading activities of foreign investors were relatively balanced in 2018 if large put-through transactions of several stocks including VHM, MSN, VRE and YEG were excluded. Local investors remained the dominant traders; their trading value accounting for 84% of total market trading volumes and increasing 25% y-o-y. The stocks that the local investors traded the most included VHM, MSN, VIC, VRE, HPG, HDB, VJC, and VCB. As investors were concerned about the negative impacts of the trade dispute and Fed rate hikes on the global and Vietnamese economies, they became more cautious and reduced their trading activity accordingly, as well as demand for margin lending from the second quarter of 2018.

Foreign investor trading values accounted for 16% of total market trading values in 2018, higher than that of 13% in 2017, and in line with HSC expectations. Foreign investors remained net buyers in 2018, with a total net buy value of VND44,000 billion. A sizable chunk of foreign investor trading value, however, was from large put-through transactions, with total value of VND46,300 billion represented by several stocks including VHM, MSN, VRE and YEG.

Vietnam Derivatives Market

The derivatives market was only opened in August 2017 yet successfully attracted investor attention. In 2018, the total trading volume in terms of the number of executed contracts increased remarkably, especially from the second quarter of the year. Furthermore, the nominal market trading values at several times were almost triple the trading value of the stock market.



The activeness on the derivatives market also lured other securities companies. The number of trading members increased from just four members including HSC, SSI, VND, and VPBS when derivative trading commenced to 14 trading members by the end of 2018. That led to intensified competition, especially as some of the new members pursued an unsustainable strategy of lowering brokerage fees significantly, or even cutting them to zero to attract clients.

B. HSC BUSINESS PERFORMANCE REVIEW

BUSINESS PERFORMANCE	FY2018	FY2017	% change	Plan 2018	% Plan 2018
Income statement (VND million)					
Revenue (*)	1,702,011	1,381,633	23%	2,110,156	81%
Operating expenses (*)	859,927	689,310	25%	1,070,783	80%
Profit before tax	842,186	692,601	22%	1,039,373	81%
Profit after tax	675,480	554,059	22%	818,717	83%
Balance sheet (VND million)					
Total Assets	5,256,305	6,680,572	-21%	6,322,331	83%
Total Equity	3,060,536	2,791,161	10%	3,347,678	91%
Financial indicators					
Return on average assets (ROAA)	11.3%	10.8%		12.9%	
Return on average equity (ROAE)	23.1%	21.4%		24.5%	
Per share financial indicators					
Outstanding share	129,554,168	129,570,368	0%	171,237,035	76%
Earning per share (EPS) - VND	5,214	4,289	22%	4,649	112%
Book value per share – VND	23,624	21,542	10%	19,738	120%

(*) In accordance with the accounting policies of securities companies, income from proprietary trading activities (when selling prices are higher than the cost of securities sold) are recorded as revenue and losses from trading activities (when selling prices are lower than the cost of securities sold) are recorded as operating expenses in the income statement. Therefore, the effective performance of proprietary trading activities should be measured as the net of revenue and operating expenses for these activities. Accordingly, for the purpose of comparison, revenue and operating expenses in 2018 and 2017 were restated by reducing the losses from proprietary trading activities by VND650 billion and VND158 billion, respectively.

In 2018, HSC continued to deliver impressive performance with VND1,700 billion in revenue and VND675 billion in net profit, representing increases of 23% and 22% y-o-y, respectively. The earnings per share (EPS) in 2018 grew in line with profit growth to VND5,214 per share. The return on equity ratio (ROE) was high at 23.1% (versus 2017's 21.4%).

As the performance of the stock market was not in line with HSC's expectations for the reasons noted above, the Company only achieved 82% of its net profit target in 2018, despite the impressive y-o-y growth of 23%. Cautious investor sentiment from the second half of 2018 negatively impacted market liquidity, as well as investor demand for margin loans.

- The actual average daily trading value was VND6,535 billion, only at 82% of HSC's expectations of VND8,000 billion per day.
- The actual average margin lending balance was VND3,933 billion, or 87% of HSC's expectation of VND4,500 billion.

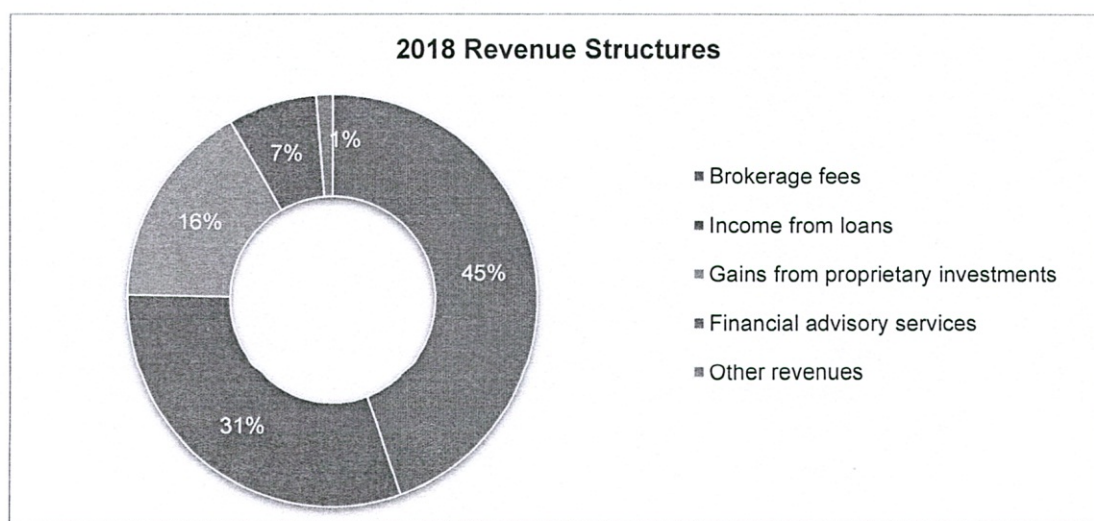
The actual EPS was higher than HSC's target mainly because the number of outstanding shares remained almost unchanged; the Company has not issued shares to raise capital as had been planned in September 2018. The share issuance plan will be completed in 2019 as announced publicly to shareholders.

I. BUSINESS PERFORMANCE

REVENUE (VND million)	FY2018	FY2017	% change	Plan 2018	% Plan 2018
Brokerage fee	758,849	601,942	26%	911,862	83%
Income from loans	523,064	439,219	19%	607,500	86%
Gains from proprietary investments	278,344	269,839	3%	435,999	64%
Financial advisory services	119,217	45,179	164%	137,620	87%
Other revenue	22,536	25,455	-11%	17,175	131%
Total revenue	1,702,011	1,381,633	23%	2,110,156	81%

In 2018, total revenue grew impressively by 23% y-o-y. All major business segments delivered higher performance than in last year, with details as set out below:

- Revenue from brokerage fees reached VND759 billion, an increase of 26% y-o-y, at 45% accounting for the largest share of total revenue. The Company remained one of the leading companies in the industry in terms of brokerage market share on both Stock Exchanges in 2018.
- Income from margin loans was VND523 billion, accounting for 31% of revenue and an increase of 19% y-o-y. Income growth was primarily attributable to the increase in the average margin loan balance of 21%, as the average margin lending rate declined slightly y-o-y.
- Proprietary trading activities generated total revenue of VND278 billion, or 3% y-o-y growth and a contribution of 16% to total revenue. HSC divested most of its investment portfolio to realize profit in the first half of 2018 and followed a prudent investment strategy for the rest of the year to protect shareholder interests.
- The corporate finance advisory business was extremely successful in 2018, completing several landmark transactions for clients such as HDBank and YEG. The successes of these transactions created a strong resonance and enhanced HSC's reputation in a market which shows good potential. The business generated a record revenue of VND119 billion, a strong increase of 2.6 times y-o-y.



4

1. Brokerage fee

Brokerage fee	(%)	FY2018	FY2017	% change	Plan 2018	% Plan2018
Retail Clients	64%	485,956	310,053	57%	561,627	87%
Stock brokerage		409,766	307,521	33%	537,531	76%
Derivatives brokerage		76,190	2,532	2909%	24,096	316%
Institutional Clients	36%	272,893	291,889	-7%	350,235	78%
Total brokerage fee	100%	758,849	601,942	26%	911,862	83%

Securities brokerage is HSC's core business, and a business in which the Company enjoys strong competitive advantages, including human resources, technology, and financial capability. In 2018, revenue from brokerage fees contributed the largest portion of total HSC revenues at 45%. The total trading value executed by HSC of retail and institutional investors both increased by 23% y-o-y.

In addition to the brokerage fees from the stock market, in 2018, brokerage fees from the derivatives market started to contribute meaningfully to total brokerage fees for the Company.

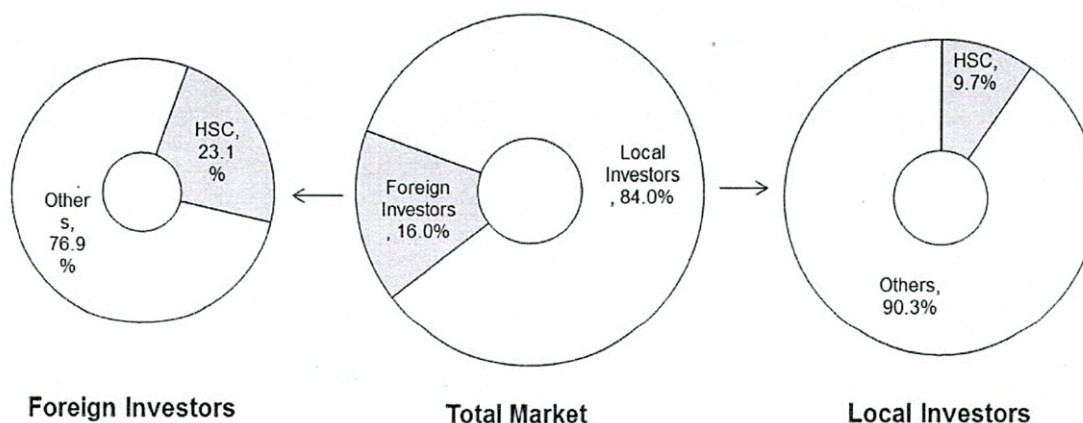
a. Retail client brokerage

Stock brokerage:

HSC's brokerage market share	FY2018	FY2017	Plan 2018
By Exchanges			
HOSE	12.2%	11.9%	
HNX	8.3%	7.1%	
UpCom	6.4%	7.9%	
Total HSC	11.4%	11.3%	11.3%
Market share by clients			
% HSC's Retail Client / Local Investors	9.7%	8.6%	9.5%
% HSC's Institutional Client / Foreign Investors	23.1%	32.7%	28.0%

In 2018, HSC's brokerage market share in the stock market was 11.4%, which was slightly higher than both its 2017 market share and the 2018 target.

HSC's brokerage market share in the stock market by client group in 2018 are illustrated below.

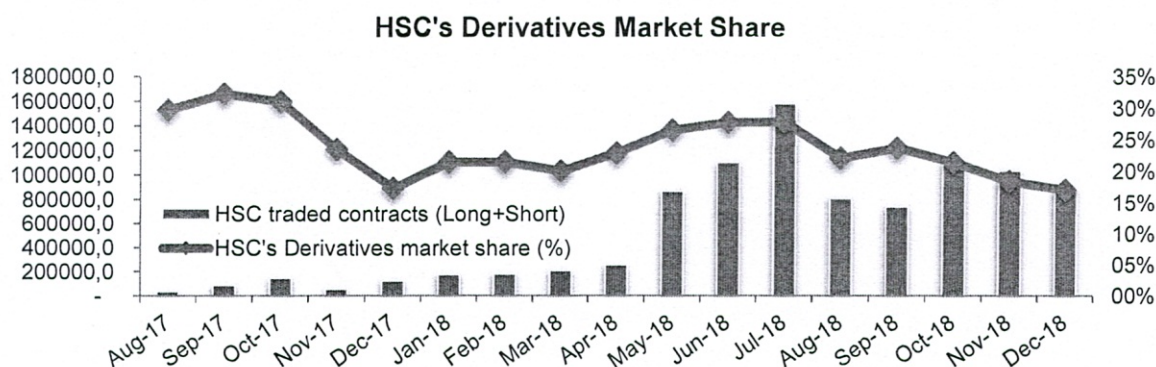


In 2018, the increase in revenue from brokerage fees in the stock market was mostly attributable to higher trading values, as HSC kept the brokerage fee rates almost unchanged over the last two years.

The retail client brokerage generated revenue of VND410 billion, or 33% y-o-y growth, which was primarily driven by a surge in trading value by HSC's retail clients of 32% in 2018. The increase in trading value was also higher than the 25% growth across the broader market, lifting HSC's share in the retail client brokerage market to 9.7% from 8.6% in 2017.

The group of retail client's 30 most traded stocks in 2018 accounted for nearly 60% of the total market trading value. This group primarily included big-cap stocks such as HPG, VIC, NVL, MSN, VPB and VNM. Some stocks in the group, however, were not eligible for margin lending, or were considered too risky for HSC to provide margin loans. Therefore, to prevent risks and to comply with HSC margin lending risk management policy, HSC proactively refrained from providing or reduced margin loans to trades in these stocks even though these decisions impacted HSC's trading value and market share.

Derivatives brokerage



HSC pioneered the development of the derivatives market since its outset, and became one of the first few trading members when the market was launched in August 2017. Being well prepared in respect of human resources, IT systems and business processes helped HSC stayed ahead of the curve and capture opportunities when the trading value of the market increased significantly in 2018. Accordingly, HSC achieved a derivatives brokerage revenue of VND76 billion, far exceeding the expectation for VND24 billion at the beginning of 2018.

As demonstrated in the chart above, futures contract trading volumes started to increase from the beginning of 2018, before surging from July and remaining high for the rest of the year. With the above mentioned competitive advantages, HSC captured one third of total volumes. HSC's average brokerage market share in the derivatives market in 2018 was 23%, a marginal decline compared to the 25% market share in 2017. Market share declined mostly because there were more trading members joining the market and some of the new members pursued fee a reduction strategy to attract clients.

In 2018, there were approximately 20,000 new securities accounts opened, lifting the total number of securities accounts at HSC to more than 84,000. The number of derivatives accounts also increased significantly, from 1,200 accounts in 2017 to 3,600 accounts at the end of 2018.

Aiming to further increase its market share and pursue growth, the Brokerage Department will focus not only on providing appropriate training to help its broker team excel, but also focus on expanding and diversifying its business development channels. Specific strategies include offering investor relation services to listed companies and coordinating with the Corporate Finance Department to cross-sell the services of both businesses.

In 2018, HSC also developed and was in progress to implementing E-Broking, its online brokerage service channel, to tap into new market segments, as well as enhancing convenience and utility for existing clients. This channel aims to simplify the existing business procedures and maximize client time and value when they execute trades at HSC.

b. Institutional Client Brokerage

Revenue from institutional client brokerage fees in 2018 was VND273 billion, a 7% y-o-y decrease, which was mainly due to lower revenue from out-of-trading band and over-the-counter brokerage fees. Those sources of revenue, however, are non-recurring and depend on the occurrences of non-regular transactions. Notably, revenue from listed securities brokerage fees, the major and recurring source of revenue of the business, increased by 17% y-o-y.

In 2018, foreign investors were more active in the stock market and posted a total trading value of VND523 thousand billion, a surge of 56% y-o-y, which was higher than the 30% growth for the overall market. Therefore, the total trading value by foreign investors in 2018 contributed a bigger portion of 16% to overall market trading values than the 13% a year earlier.

HSC's overall foreign client trading value in 2018 increased by 10% y-o-y and reached VND124 thousand billion, most of which was contributed by institutional investors. The higher trading value lifted listed brokerage fee revenue by 17% y-o-y to VND250 billion.

Despite this growth, the trading value by HSC's foreign investors was lower than the overall market. One notable reason was that, in 2018, foreign investors executed large put-through transactions in some stocks including VHM, MSN, VIC, VRE and NVL. Some of these transactions were executed in the first trading days of newly listed stocks via other securities companies who acted as listing advisors. Therefore, HSC's market share in the foreign client brokerage business declined to 23% from 33% in 2017. HSC's market share would have been 25% if the transactions noted above were excluded.

One of the most important and most frequent requirements of institutional investors is corporate access. Therefore, HSC has been proactively holding various corporate access events to support clients and to enhance their investment success. In 2018, HSC successfully hosted the HSC Emerging Vietnam 2018 Conference, connecting more than 400 investors from global fund management companies and financial institutions with more than 40 leading companies in Vietnam. This annual conference is not only a prominent example of how HSC creates value for its clients, but also an effective way for the Company to contribute to the business community in Vietnam by connecting global investors with Vietnamese companies.

2. Income from loans

Income from loans (VND Million)	FY2018	FY 2017	% change	Plan 2018	% Plan 2018
Average margin loan balance	3,932,842	3,237,878	21%	4,500,000	87%
Income from margin loans	523,064	439,219	19%	607,500	86%

Income from margin loans was VND523 billion, an increase of 19% y-o-y, and a contribution of 31% to total revenue for HSC in 2018. This revenue increase was mainly attributable to higher average margin loan balances, as the average margin lending rate has remained stable over the last two years.

Revenue from margin loans in 2018 was only at 86% of HSC's business guidance as the average margin loan balance was lower than the target of VND4,500 billion, which had been built on a scenario where the average daily market trading value was VND8,000 billion.

HSC's margin loan balances were quite volatile in 2018, with the lowest balance being VND2,700 billion while the highest balance was VND5,600 billion. However, no bad debt arose as HSC strictly followed a prudent approach to margin lending and regularly reviewed and analyzed stocks in the margin lending list. The number of stocks for which investors could take out margin loans was shortened to 130 in 2018 from more than 200 in 2017, after HSC removed illiquid stocks, as well as stocks deemed unqualified under HSC's appraisal policy. The current margin lending list includes primarily stocks in the VN30 and highly liquid stocks.

In addition to adherence to applicable laws and regulations on margin lending activities, HSC still proactively maintains general provisions against margin lending of 0.75% of the year-end balance of margin loans.



3. Gains from proprietary investments

The performance of HSC's proprietary investments in 2018 was considered impressive given marked volatility in the stock market, and also as VietNam stock market indices had declined during the year. In particular, the closing point for the VN-Index was 9% below that at the end of 2017 and 26% below the peak in the first quarter of 2018. HSC's proprietary investment profit was VND280 billion, an increase of 3% y-o-y, representing a contribution of 16% to HSC's total revenue. The average investment value was VND610 billion and the return on capital was 31%, relatively in line with 2017 figures of VND580 billion and 39%, respectively.

The listed equity portfolio contributed VND125 billion in profit, contributing the largest share of proprietary investment profit at 45%. Although this profit was lower than that in 2017, the performance was considered a success in the context of a volatile and bearish market in 2018.

The derivatives investment portfolio delivered a nearly five-fold profit growth to VND49 billion, contributing 18% of total proprietary investment profit. As analyzed above, the total trading value of the derivatives market increased significantly in 2018. Leveraging its strong competitive advantages in technology, human resources and the first mover position, HSC recognized and captured opportunities to generate profit for shareholders.

4. Financial advisory services


2018 was a tough year for the stock markets in Vietnam and for investors, yet offered many opportunities for HSC's corporate finance business to create value for its clients. Vietnam's economy continued its high growth momentum which benefited the corporate finance business as more companies demanded high-quality advisory services to raise capital for expansion. In addition, privatizations of state-owned enterprises and private placements and listings of big private companies also lifted demand for advisory services from HSC's corporate finance business. On the other hand, the chaos in the global macroeconomy caused significant volatility in global capital markets in general, and Vietnam's stock markets specifically. As investor sentiment is weak amid uncertainties initial public offerings (IPO) and private placements may be negatively impacted.

The financial advisory services achieved remarkable milestones in 2018, when it successfully completed landmark transactions and generated a record revenue of VND119 billion, representing strong growth of 77% y-o-y. The major transactions were the IPO advisory service provided to HDBank in the first quarter, the M&A advisory service provided to DCL in the second quarter and the IPO advisory service provided to Yeah1 in the third quarter.

II. OPERATING EXPENSES

Operating expenses (VND Million)	FY2018	FY2017	% change	Plan 2018	% Plan 2018
Normal operating expenses	547,506	402,109	36%	645,048	85%
Brokerage expenses	158,121	127,798	24%	180,865	87%
Interest expenses	164,358	141,097	16%	233,500	70%
Provision for bad debts	-	4,673	n/a	-	n/a
General provision/ (reversal) for margin loans	(10,058)	13,634	n/a	11,369	-88%
Total	859,927	689,310	25%	1,070,783	80%

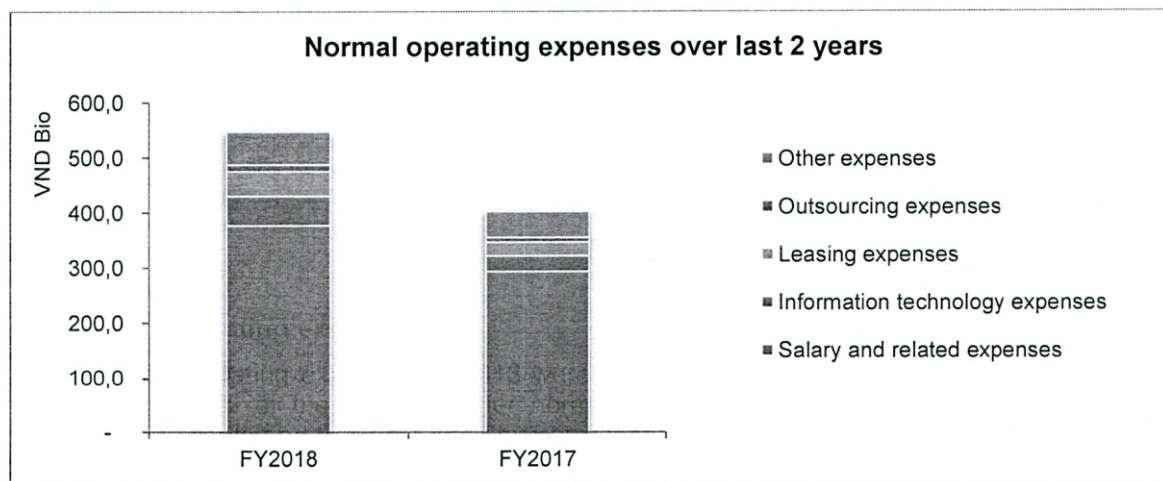
Total operating expenses in 2018 increased by 25% y-o-y but were only 80% of management's target.



8

1. Normal operating expenses

Total normal operating expenses in 2018 were VND547 billion, an increase of 36% y-o-y and equivalent to 85% of the target. Higher normal operating expenses in 2018 were primarily because HSC continued to invest in its human resources, its transaction office network, and its IT infrastructure to stay ahead of the curve. The composition of normal operating expenses over the last two years is demonstrated in the chart below:



Salary and other employee-related expenses accounted for the major portion total normal operating expenses in 2018 at 70% (versus 73% in 2017). Salary and other employee-related expenses increased approximately 30% y-o-y as HSC recruited senior executives for the Corporate Finance Department and the Institutional Client Brokerage Department. In addition, salary expenses also increased as HSC expanded its retail client broker team.

Office leasing expenses in 2018 increased significantly by 84% y-o-y, which was mainly attributable to the expansion of HSC's branch network. In particular, HSC opened its South Saigon transaction office in District 4 and reallocated the Cho Lon transaction office to a new venue in the Saigon Giai Phong office building in District 3 in Ho Chi Minh City. The Company also expanded space at its existing offices in Ho Chi Minh City and Hanoi.

Last year, HSC also continued to invest in its IT platform to maintain and enhance stability, safety, security, and promptness to enhance client confidence when executing trades at HSC in both the stock market and derivatives markets.

2. Brokerage and interest expenses

These are variable expenses associated with revenue generating activities at HSC and, therefore, vary in proportion with revenue.

- The total trading value by HSC's clients increased by 23% y-o-y, therefore, brokerage fees payable to the stock exchanges increased proportionately.
- Interest expenses in 2018 increased by 16% y-o-y as HSC raised more short-term loans to finance margin lending activities. As mentioned above, income from margin loans increased by 19% y-o-y.

3. General provision/ (reversal) for margin loans

In 2018, HSC managed risks related to margin lending activities appropriately, with no new bad debt incurred. Additionally, HSC reversed general provisions of VND10 billion that had been made previously, as the margin loan balance at the end of 2018 was lower than that at the end of 2017.

III. BALANCE SHEET

ITEMS (VND Million)	31/12/2018	31/12/2017	% change
A. CURRENT ASSETS & SHORT-TERM INVESTMENT	5,065,175	6,505,803	-22%
I. Financial assets	4,949,942	6,402,628	-23%
1. Cash	117,332	196,221	-40%
2. Financial assets	851,840	1,259,886	-32%
3. Lendings	3,262,015	4,501,592	-28%
4. Other receivables	718,755	444,929	62%
II. Other current assets	115,233	103,175	12%
B. FIXED ASSETS & LONG-TERM INVESTMENT	191,131	174,769	9%
I. Fixed assets	47,422	38,007	25%
II. Construction in progress	4,447	6,851	-35%
III. Other long-term assets	139,261	129,911	7%
TOTAL ASSETS	5,256,305	6,680,572	-21%
A. LIABILITIES	2,195,769	3,889,411	-44%
I. Short-term liabilities	2,195,769	3,874,368	-43%
1. Short-term borrowings	1,554,132	2,479,755	-37%
2. HSC's bond	150,000	800,000	-81%
3. Other liabilities	491,637	594,613	-17%
B. OWNER'S EQUITY	3,060,536	2,791,161	10%
I. Owner's equity	3,060,536	2,791,161	10%
TOTAL LIABILITIES AND OWNER'S EQUITY	5,256,305	6,680,572	-21%

HSC had total assets as of December 31, 2018 of VND5,256 billion, a 21% y-o-y decline, as due to the margin loan balance declining after investors turned more cautious, resulting in lower demand for margin loans at the end of the year. Total assets also declined due to the lower value of HSC's financial assets, following the divestment of most of the investment portfolio in the first half of 2018, which was not reinvested in the remainder of the year. Total assets at the end of 2018 mainly comprised margin loans, accounting for 63% of total assets, and financial assets, which accounted for 17% of total assets.

Shareholders' equity at the end of 2018 was VND3,060 billion, an increase of VND270 billion y-o-y, which was mainly contributed to by 2018 retained earnings.

HSC's financial health remained very robust and stable. HSC's financial safety ratio, which was reported following guidance by the Ministry of Finance, as of the end of 2018 was 502%, 2.8 times higher than the 180% required by the State Securities Commission of Vietnam.

Key ratios	FY2018	FY2017
<u>Operation ratios</u>		
Quick ratio	2.3	1.7
Current assets turnover	0.3	0.2
Total assets turnover	0.3	0.2
<u>Leverage ratios</u>		
Total debt/ Total equity	0.7	1.4
Total debt/ Total assets	0.4	0.6
Financial safety ratio	502%	526%
<u>Profitability ratios</u>		
Net profit margin	39.7%	40.1%
ROAE	23.1%	21.4%

In 2018, the share issuance plan was not executed as expected. However, HSC flexibly utilized other available sources of capital, including short-term bank loans and corporate bonds to finance its margin lending activities, enhancing its return on equity ratio over that in 2017.

Above is the business operating results of HSC in 2018 for the consideration and approval of the shareholders at the 2019 Annual General Meeting

Chief Executive Officer
Johan Nyvene



Johan Nyvene

[Signature]