



 **OPPORTUNITIES**

HSC ANNUAL REPORT 2016

HSC • ANNUAL REPORT 2016 • OPPORTUNITIES



OPPORTUNITIES

“ I strongly believe that the next three to five years will be a window of opportunity for HSC, not only to do good business, but also to rise to the next level of playing field ”

Mr. Johan Nyvene - CEO

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CEO'S MESSAGE



Mr. Johan Nyvene - Chief Executive Officer

Dear fellow Shareholders, Customers & Colleagues,

I wish to use the theme “Opportunities” to describe what we have in mind for 2017 and beyond. Opportunities certainly come and go. HSC has been in existence for 14 years and invariably we have seen numerous opportunities appearing over those years. We have taken some opportunities and regretfully missed out on others. Some of those opportunities turned out to be less spectacular or riskier than others. But this time I believe we are facing a major turning point.

There were two key characteristics to Vietnam’s stock market starting in 2016: an accelerated schedule in the privatization of state owned companies and assets, and an emergence of large privately owned companies going public. We have seen a clear trend as well as potentially attractive opportunities in the market with these two characteristics.

Vietnam has turned a significant corner in recent history in the government’s administrative mindset. The country appears to have embarked on a more progressive reform path with a visible sense of determination and decisiveness.

As the government continues to carry on the unfinished job of privatization, there is now a clear sense of urgency with a number of equitization cases which have been lingering over the past several years. The road map for equitization suggests that “everything must go” (be privatized and divested) by the end of 2020. The mandate has also been cascaded from the central government to the provincial and city governments, and various levels of administration at the ministries who are held accountable to carry out this mandate. This process would mean that the opportunities for investors to access the shares of some of the largest companies in Vietnam would present themselves in the next three to four years. Although still somewhat awkward in its process, we have seen the auction of Vinamilk (VNM) by the State Capital Investment Company (SCIC). Besides VNM, the SCIC is also scheduled to gradually sell down a significant part of its remaining holdings in companies in various industries including consumer goods, insurance, and foods. The divestment in Sabeco and Habeco by the Ministry of Industry and Trade should be well underway by the middle of 2017.

I would like to share with you a vision our senior management and I have had since the middle of 2016. We believe we have arrived at another crossroad where the decision to take a strategic turn might be critical for our future. We believe this turn will lead us to where new opportunities lie. We strongly believe these opportunities will shape and form our organization into a more competitive and profitable engine for growth in the next three to five years.

There will be divestment in confectionary companies by Vinataba. Viglacera is currently being divested by the Ministry of Construction, and Vinachem also has a list of group companies in fertilizer and chemical industries that need to be divested. These are just some examples of the pipeline of divestments in the state-owned sector.

In addition to equitization and divestment of state holdings, the direction of reform in Vietnam has turned its attention towards empowering the private sector. At the onset of its new term, the newly assembled government already reached out to the corporate sector, by organizing various high level meetings directly with all types of companies both in Hanoi and HCMC. One of the most exemplary results was the establishment of the Vietnam Private Sector Forum (VPSF), with which I am involved in my personal capacity as the Chairman of the Capital Markets and Finance Committee. The aim of the VPSF is to connect the voice of the private sector to the central government, and at the highest level, as the initiative has been directed by none less than Deputy Prime Minister Vuong Dinh Hue. With ten different steering committees guiding ten most important aspects of the development of Vietnam’s private sector including agriculture, logistics and distribution, the digital economy, supporting industries, etc, we are confident that the empowerment of the private sector will be one of the top priorities of the government in the immediate future. This initiative could mean that the legal and administrative framework will be made less onerous to the private sector, and there would be additional resources allocated to the private sector to fuel their growth and produce more competitive companies in the future.

With these exciting developments in the corporate sector, we have awakened to the idea of broadening our business scope, market segments, as well as risk appetite.

Looking ahead, we see tremendous potential in the Private Client business. At HSC, we have achieved and built a prominent business as a brokerage firm, having captured one of the largest market shares over a number of years. We have secured the position as one of the most reliable and trust worthy brokers in both institutional and retail investor segments. However, 2016 was a year of revelation in our business. While we had a stellar performance that met the financial goals, our business model continued to be primarily driven by the secondary markets and fueled by a significant expansion in our margin financing business. Market share in the brokerage business, especially on the private client side continued to be extremely competitive. We continued to lead the market on private clients but inevitably found ourselves defending our position on various aspects of the business. We have had to revamp our policies on brokers’ commission rates, service pricing, and credit provision. We have monitored the expansion of our margin loan book in conjunction with the expansion in our brokerage market share and detected that growth on the two sides was not in tandem. Our average margin loan book grew by almost 60% in 2016 YOY, while our brokerage market share edged up to only 11.2% from 10.4% the year before. This has prompted us to believe that we need to expand our reaches beyond the traditional private client pool and explore new segments.

The investment environment in Vietnam has been traditionally limited given the perceived high level of risk in information inefficiency and in the lack of investment know-how. These reasons have turned the mass market in Vietnam away shy from the stock markets and investors continue to favor other types of assets, including real estate, gold and hard currencies. The lack of pension funds further exacerbates this situation as virtually all institutional investors in Vietnam's equity markets are foreign. This risk mentality has resulted in a very low level of liquidity in Vietnam's stock market. Although Vietnam's market capitalization level has risen significantly over the years, the markets have been relatively lackluster in liquidity. In fact, the lack of liquidity remains one of the trickiest factors for investors, both institutional as well as private to overcome, and it has become a vicious circle.

The risks in Vietnam's stock markets are further weighed by the occasional anomalies in corporate accounting practices, whether intentional or not, that have resulted in inaccurate information from the companies, and hence inaccurate valuation of their share price. This is sometimes a serious issue, which could result in over exposure to investors and market intermediaries including ourselves. In 2016, despite our conservative credit culture and a fortified risk management framework, HSC fell victim to a case of corporate fraud and lost some money in margin lending activities. While margin lending continues to be the backbone of our business, we have realized that the risk in this business is not because of flaws in the products, but because of a significant dependence on financing on our part, to expand in a very concentrated market.

The realization that the existing private client segment has limitations has led us to think about expanding our private client business beyond the current reach. We have conceptually categorized the private client business into different segments. We believe that the private client segment that has been traditionally served by most brokers including ourselves consists of mostly day traders who are inclined to employ margin financing but who are not significantly adhered to fundamental factors. While we continue to serve this segment, we have also recognized that with the growth of the Vietnamese economy, the emergence of a middle class and growth in people's savings and wealth, there would be a need for mainstream investment in capital market products by the mass market. We have recognized a need for

wealth management in the high net worth individual segment, and have approached this segment with the managed account concept. Our specialized strategists would recommend tailor made investment portfolios to individual investors who would employ their dedicated trading team at HSC to manage day-to-day trading activities for them.

For the mass market, the most visible trend of development is in online channels and automated services. With internet and mobile trading tools already developed and available for use, we aim to develop a web based platform to provide internet based clients the flexibility to access all of our current and future products and services through one single portal online. This portal would also allow us to consider the discount brokerage concept in the future. We are aware of the fact that this concept has prospered in developed markets, and while the market in Vietnam is still not developed, we believe that we should be prepared for that future.

One of the most notable achievements for HSC in 2016 was the development of derivative products. HSC has been a pioneering securities firm in developing new products and we have closely cooperated with the stock exchanges and the central depository to formulate what would be the first derivative products in Vietnam. We should witness the launch of the index futures product at the end of the first half of 2017 and the covered warrant product later on in the year. These products will be a part of our comprehensive offerings on the aforementioned web portal, which is also aimed for launch in its initial phase by the end of 2017.

HSC has built and operated a highly stable service oriented business model over the last ten years. However, we believe that there are more opportunities in Vietnam's capital markets than just being a brokerage service provider. With the rising trend of privatization and IPOs, there would be opportunities for the firm to take advantage of its established distribution networks in various investor segments, as well as technical capabilities to build up positions and take market exposure. HSC would be in a position to further establish itself as a market maker, and provide liquidity to the market by leveraging the well-established brokerage capabilities. At the same time, we can explore opportunities to put more of our capital to work and take

advantage of market upside potential. We envision that there will be significant opportunities for underwriting and principal investment activities. The formula to shape this business is by developing corporate finance advisory capabilities and corporate access work, further aligning corporate finance work with our brokerage functions, and establishing an efficient capital allocation process. There might be situations where capital requirements are significant in which we would aim to cooperate with other top securities firms to jointly underwrite and distribute an issue.

The commercial direction we have embarked upon in business has also been reflected into our human capital policy. In 2016, we launched a company-wide incentive program to promote cross-sale activities and business referrals. On various HR communication occasions, I have reiterated the message among all HSC personnel that we will recognize and directly reward people who bring extra business opportunities to the Company, or who go above and beyond their normal scope of work in order to generate revenue for HSC. This commercial mindset, driven by the incentive program has certainly resulted in extra business activities in all of our business functions, which have contributed to a 43% increase in revenue over the previous year. I believe that HSC's competitive mindset will be further sharpened going forward with our direct reward system. This is the mindset from which we will derive opportunities.

2016 also marked a sharp change in our human capital mindset. In addition to incentivization, we also opened up opportunities for high caliber managers to take charge of their business forward. On the institutional client side, we took the opportunity of having a new managing director in the team to restructure the organization of the business. On the private client side, we have created additional business regions and units and have promoted middle level managers into leadership roles to manage new business units. This movement has in turn fortified our management of the private client business, and more importantly empowered our personnel in various layers of the business to be able to recognize opportunities on their own. This is also a positive step toward succession planning in my view.

One of the most notable achievements for HSC in 2016 is the development of derivative products. HSC has been a pioneering securities firm in developing new products and we have closely cooperated with the stock exchanges and the central depository to formulate what would be the first derivative products in Vietnam.

Opportunities will not wait for anyone and I am very happy to say that I have already detected a strong sense of urgency in many of our colleagues in pushing business forward. I strongly believe that the next three to five years will be a window of opportunity for HSC, not only to do good business, but also to rise to the next level of playing field.

I wish all of you success in seizing new opportunities in 2017.



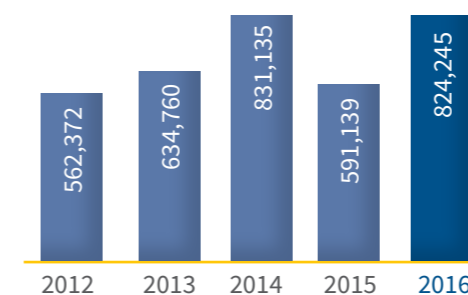
Johan Nyvene
Chief Executive Officer

FINANCIAL HIGHLIGHTS

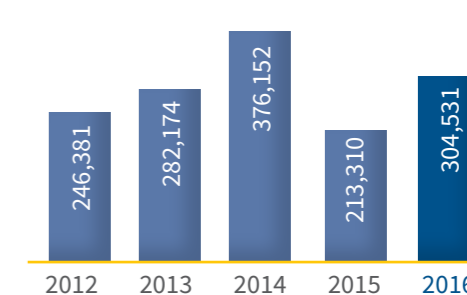
	2012	2013	2014	2015	2016	CAGR in 5 years
Statement of income (VND million)						
Revenue	562,372	634,760	831,135	591,139	824,245	11%
Brokerage fees	145,027	199,104	299,432	262,076	348,957	
Principal investment	29,807	152,919	194,425	35,026	69,535	
Financial advisory services	12,772	16,399	12,362	11,155	24,602	
Other revenues	374,765	266,337	324,916	282,882	381,151	
Operating expenses	255,685	260,049	349,692	319,667	439,651	
Net profit from operating activities	306,686	374,711	481,443	271,472	384,594	
Other profit/(loss)	158	718	4	28	790	
Profit before tax	306,844	375,428	481,447	271,500	385,383	
Profit after tax	246,381	282,174	376,152	213,310	304,531	
Balance sheet (VND million)						
Total assets	3,198,935	3,127,781	4,069,804	3,103,574	3,616,842	7%
Charter capital	1,008,486	1,272,568	1,272,568	1,272,568	1,272,568	5%
Shareholders' equity	2,162,514	2,247,348	2,358,231	2,279,549	2,391,917	3%
Financial indicators						
Return on average assets (ROAA)	8.5%	8.9%	10.5%	6.6%	9.1%	
Return on average equity (ROAE)	11.8%	12.8%	16.3%	9.2%	13.0%	4%
Equity's value						
Outstanding shares	100,565,957	127,249,720	127,229,583	127,185,417	127,155,368	5%
Basic earnings per share - VND	2,474	2,241	2,956	1,598	2,395	-4%
Book value per common share - VND	21,503	17,661	18,535	17,923	18,811	-2%
Dividend - VND	2,000	1,700	2,100	1,430	1,700 (*)	
Market price at year end - VND	21,600	24,500	31,200	30,800	27,200	14%
P/E	8.7	10.9	10.6	19.3	11.4	19%

(*) Estimated for Y2016 and subject to final approval

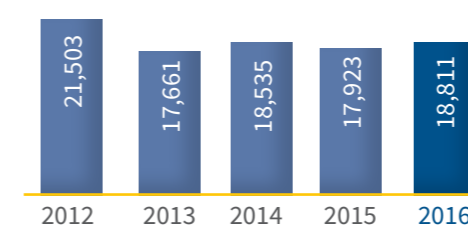
REVENUE (VND MILLION)



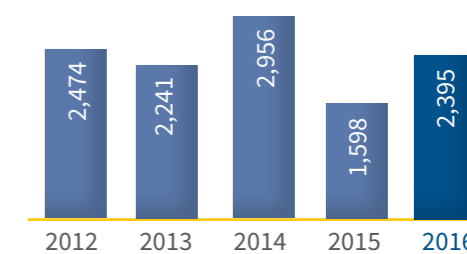
PROFIT AFTER TAX (VND MILLION)



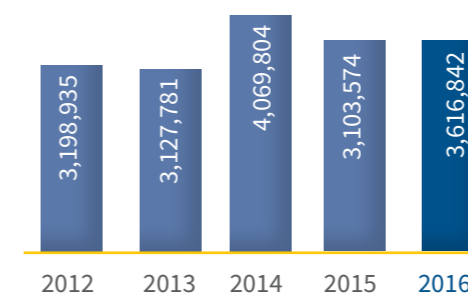
BOOK VALUE PER COMMON SHARE (VND)



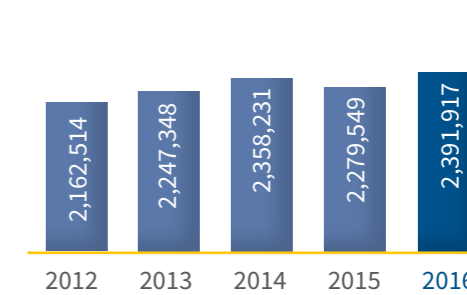
BASIC EARNINGS PER SHARE (VND)



TOTAL ASSETS (VND MILLION)



SHAREHOLDERS' EQUITY (VND MILLION)





HSC PROFILE

Ho Chi Minh City Securities Corporation (HSC) is a well-established and award-winning professional securities brokerage and equity firm in Vietnam. HSC provides an array of services and financial products that are catered to private and institutional clients, providing professional investment advisory services which are reinforced by solid, trusted, award-winning research expertise. Through its Corporate Finance Division, HSC has produced an exceptional track record of bridging businesses to investors as well as building long-term sustainable partnerships.

HSC benefits from the synergy that exists between two financial powerhouses in Vietnam; the founding shareholder HCMC Finance and Investment State-owned Company (HFIC); and strategic shareholder Dragon Capital Group, a prominent and leading diversified investment group.

HSC officially went public in May 2009 and was listed on the Ho Chi Minh Stock Exchange (HOSE), bearing the ticker HCM. As of 31 December 2016, shareholders' equity of HSC totaled to VND2,392 billion (approximately US\$ 105 million), making HSC one of the largest securities companies in the country with a strong financial base and sound investment capacity.

HSC strives to continuously develop its core competencies and foster human capital in terms of research and technology. Strategic investment into the scope of research and technology allows HSC to adapt and nurture its business capacity with speed to fulfill the needs of clients that are constantly evolving. As such, HSC is able to pioneer and develop product innovations (e.g. products, services) in order to expand the business and cultivate growth for HSC. We greatly emphasize the ongoing enhancements within the Corporate Governance aspect that serves as the cornerstone for long-term sustainable growth.

Over the last 14 years, HSC has affirmed itself as one of the industry leaders as it continues to maintain its top market position among securities firms in Vietnam with HSC consistently gaining a dominant market share.

Aside from the development of its core business segments, HSC aims to impart a positive influence to society by progressively redefining the securities industry for the better, and ultimately, contributing to the overall development of society in Vietnam.

Presently, HSC have expanded its operations into eight branches and transaction offices nationwide with the Head Office based in HCMC.

VISION

To become one of the country's most admired, trusted, and valued financial institutions, and be an active contributor to the economy and community of Vietnam.

MISSION

Being a leading securities company in the industry and Vietnam's capital markets with the standards of professionalism, innovation, financial strength and sustainability.

CORE VALUES

At HSC we strive to be true to our corporate values and to apply them in everything we do.

INTEGRITY

It is our aim to build a high level of trust from our clients, investors and those in the securities business in Vietnam and beyond.

DEDICATION

At all levels, our staff are dedicated to providing the best service to our clients, going the extra mile for our partners, and forging strong relationships with all our stakeholders.

PROFESSIONALISM

We constantly develop and adopt best practices; upgrade our expertise and processes to execute all transactions in the best interest of our valued clients.

HSC SERVICES

HSC provides a range of financial services to individual, institutional and corporate clients. The Company adheres to high standards of professional ethics, helping to ensure that all of its client-facing activities are conducted responsibly and effectively by a dedicated team of professionals.



1. SECURITIES SERVICES

- Opening transaction accounts for clients
- Securities transferring and depository
- Securities brokerage
- Securities investment advisory
- Blocking / releasing securities as requirement
- Securities withdrawal
- Receiving and executing buy/sell order of securities
- Fund certificates distribution
- Account management
- OTC stocks quoting and shareholders management

2. FINANCIAL SERVICES

- Margin lending
- Cash advances
- OTC repo
- Government bond auction
- Government bond repo
- Short-term funding for buying government bond

3. TRADING SUPPORT SERVICES

- IPO auction agent
- Organizing auction at the company
- Authorizing auction of securities initially issued
- Placing buy/ sell order via telephone, email, fax, Bloomberg
- Online trading services (Vi-Trade, VM Trade, and VIP-Trade), trading on iPad via HSC Trade Pro, and trading on smartphone via HSC trade (on Android and iOS)
- OCT online cash transfer
- Registering rights to buy securities via telephone
- Announcing of securities trading result via SMS
- SMS for any change in remaining balance, operating rights, dividend and relevant information about margin trading accounts

4. RESEARCH AND ADVISORY SERVICES

- Macro & Strategy report
- Investment advisory report
- Daily call report
- Industry research report
- Company report
- Stock valuation report
- Technical analysis report
- Corporate access report
- Company visits to listed/unlisted companies
- Seminars to introduce investment opportunities to Vietnam and international investors

5. CORPORATE FINANCE ADVISORY AND INVESTMENT BANKING SERVICES

Corporate Finance Advisory

- Equitization
- Divesting the State's interest in SOEs
- Enterprise valuation
- Equity valuation
- Financial Restructuring
- Public company registration
- Registration for trading on Upcom
- Securities depository on VSD
- Listing on HOSE and HNX

Investment Banking

- Merger & Acquisition (M&A)
- Divestment
- Capital raising in domestic and international capital market
- Stocks and bond issuance
- Private placement
- Initial Public Offering (IPO)
- Underwriting

CORPORATE MILESTONES

2003

Initiated operations after receiving Certificate of Business (Registration No. 4103001573) from the Department of Planning and Investment of HCMC on April 23, 2003 and Business Permit No. 11 / SSC-GPHDKD from the State Securities Commission issued on April 29, 2003

Commenced operations with initial capital of VND50 billion, it being one of the largest capital bases in the securities sector in Vietnam at that time

2006

Increased charter capital to VND 100 billion

Relocated headquarters and transaction office to Capital Place Building, 6 Thai Van Lung Street, District 1, HCMC

2007

Increased charter capital to VND 200 billion

Established the Hanoi branch at 6 Le Thanh Tong, Hoan Kiem District

Issued shares for strategic shareholders HDBANK and FIDICO

2008

Increased charter capital to VND 395 billion

Launched the Call Center PBX support system and VI-Trade system to facilitate Internet trading

Established Hau Giang transaction office in HCMC

2009

Officially listed on the Ho Chi Minh City Stock Exchange under the stock ticker HCM

Upgraded internet trading platform (VI-Trade system) and launched VIP-Trade, an advanced version of the portal allowing real-time transactions

Established Lang Ha transaction office in Hanoi

2010

Increased charter capital to VND 600 billion

Established 4 transaction offices: Tran Hung Dao, 3 Thang 2 in HCMC and Ba Trieu, Kim Lien in Hanoi

Renamed and relocated Hau Giang transaction office to 3 Thang 2 transaction office in HCMC

2011

Increased charter capital to over VND 998 billion

Relocated head office and IT Data Center to new corporate headquarters at AB Tower, 76 Le Lai, District 1, HCMC

Closed 3 Thang 2 transaction office in HCMC

2012

Increased charter capital to over VND 1,008 billion

Established Cho Lon transaction office in HCMC, closed Ba Trieu and Lang Ha transaction offices in Hanoi

Officially launched direct connections to both Bloomberg and Reuters networks by FIX (Financial Information Exchange) – standard electronic protocol for pre-trade communications and trade executions

Since its inception in 2003, HSC has continuously grown in capital and size to be one of the leading securities and financial services firms in Vietnam. Over the past 14 years, HSC has strengthened its position as the leading securities company in Vietnam, while gearing itself towards sustainable development.

2013

Increased charter capital to over VND 1,273 billion

Celebrated HSC's 10th anniversary with "Positive value and influence" orientation

Obtained certification of ISO/IEC 27001:2005 standard for "Providing online trading and brokerage services" from TUV Rheinland (Germany)

2014

Launched new website with responsive web design, and online trading application on iPad – HSC Trade Pro

Received Certificate of Merit from Ministry of Finance for significant contribution to HNX's development from 2009 – 2014

2015

Established Nguyen Van Troi transaction office in HCMC and Lang Ha transaction office in Hanoi

Received Certificate of Merit from The Prime Minister of Vietnam for significant contribution to securities market development in 2010 - 2014

Received Certificate of Merit from The Chairman of Ho Chi Minh City People's Committee for significantly contributing to the long term development goals of HCMC

2016

Launched the HSC iTrade, breakthrough product based on smart trading applications

Received Certificate of Merit from The Ministry of Finance for significant contribution to securities market development, contributing to economic – social development



AWARDS & ACCOLADES

2012

Voted as “Best Brokerage House in Vietnam” – The Country Awards 2012 by FinanceAsia, and The Asset.

Honored “Best Local Brokerage in Vietnam” and 21 other major accolades – Asiamoney Brokers Poll 2012 by Asiamoney.

Received Platinum Award for annual report in Financial – Capital markets and 6 other accolades at LACP 2012 Vision Awards, by League of American Communications Professionals (LACP).

Included in the securities firm industry listed in Vietnam’s Top 50 Performing Companies 2012, by Nhip Cau Dau Tu.

Received “The M&A advisory firm of the year 2011 – 2012” at M&A Forum Vietnam 2012.

2013

Voted as “The Best Brokerage Firm in Vietnam” – The Country Awards 2013 by The Asset.

Honored in Top 50 Listed Companies in Vietnam by Forbes.

Recognized as the outstanding securities company in 2013, awarded by Hanoi Stock Exchange.

Honored in Top 10 members of government bond trading 2013 by Hanoi Stock Exchange.

Received Gold Award for “Written text” category and 2 other accolades for Financial Services category in Annual Report Competition (ARC), by Marcomm Inc.

Received Silver Award for annual report in Financial – Capital markets and 3 other accolades at LACP 2012 Vision Awards, by League of American Communications Professionals (LACP).

2014

Voted “Best Brokerage House in Vietnam” and “Best M&A House in Vietnam” at the Triple A Country Awards 2014 by The Asset.

Honored in “Top 3 Best Salespersons in Vietnam” in 2014 plus other accolades for brokerage services and research coverage, by Asiamoney.

Awarded “CEO Leadership” & “The Best Managed Brokerage House in the APAC Region” by the Asian Banker - the only brokerage house in the region.

Received Certificate of Merit from Ministry of Finance for significant contribution to HNX’s development from 2009 – 2014.

Awarded in the Top 50 Performing Companies in Vietnam by Nhip Cau Dau Tu magazine for the second time - the only securities firm.

Honored in the Top 50 Listed Companies in Vietnam by Forbes Vietnam for the second consecutive year, leading the Finance category.

Ranked 145 out of 1,000 Companies contributing most to national budget.

Received “Bronze Award” for Traditional Annual Report in Financial Services: Brokerage & Commodity category, and “Honors Award” for Written Text category, at the 2014 ARC Awards.

Received “Gold Award” in Financials - Capital markets category and 3 other major accolades at the 2013 LACP Vision Awards for Annual Reports.

Recognized in Top 10 Best Annual Reports by HOSE and Dau tu Chung khoan newspaper, ranked 6 among 700 reports nationwide.

2015

Honored in the Top 50 Performing Companies in Vietnam by Nhip Cau Dau Tu magazine for the third time.

Honored in the Top 50 Listed Companies in Vietnam by Forbes Vietnam for the third consecutive year.

Honored in the Top 3 Publicly Listed Companies in Vietnam 2015 by ASEAN Corporate Governance Scorecard award in Manila, Philippines.

Received Certificate of Merit from the Prime Minister for significant contribution to securities market development in 2010-2014.

Received Certificate of Merit from the Ho Chi Minh City People’s Committee.

Voted as the best member firm in the event of 10-year anniversary of Ha Noi Stock Exchange (2005-2015). In addition, HSC was also selected as the best brokerage service provider by both local and international institutions.

Received first Prize for the Best Annual Report, the Best content of Corporate Governance 2015 and in the Top 3 Best Sustainability report given by Vietnam Investment Review and HOSE.

Received “Bronze Award” for Traditional Annual Report in Financial Services - Brokerage & Commodity category; and “Honors Award” for Written Text category at 2015 ARC Awards.

2016 AWARDS

Top 50 selected by Forbes Vietnam

Recognized by Forbes Vietnam as one of Top 50 listed companies for 4 consecutive years based on sustainable growth and strong corporate governance shown.

Certificate of Merit from the Ministry of Finance

Recipient of Certificate of Merit from The Ministry of Finance for significant contribution to the development of the securities market, economy and social aspect in Vietnam.

Top 100 Sustainable Companies in Vietnam 2016 (CSI100) - VCCI

Achieved high ranking in Top 100 Sustainable Companies in Vietnam for significant contribution in promoting business sustainability, thereby, bringing increased confidence among partners, investors and shareholders that led to enhanced reputation, brand, competitiveness and new business opportunities.

Top 10 Best Annual Report in Vietnam

Ranked in the Top 10 Best Annual Report in Vietnam awarded by Vietnam Investment Review and HOSE which recognizes our continued focus on corporate governance and compliance with information disclosure regulations.



PRODUCTIVITY DRIVES OPPORTUNITIES

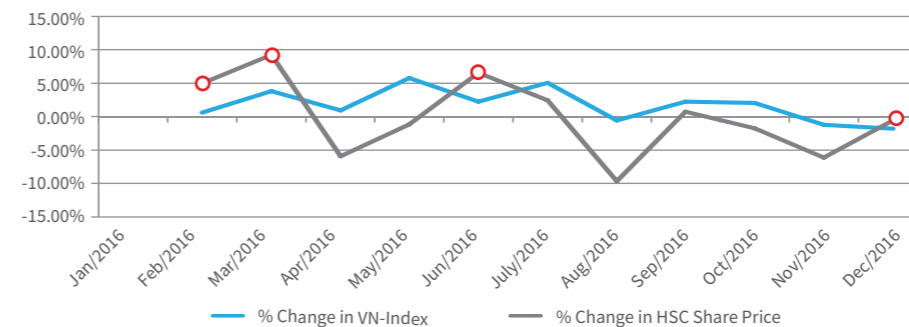
PERFORMANCE OVERVIEW

MARKET PERFORMANCE REVIEW

In 2016, the stock market in Vietnam matured into a more progressive stage compared to 2015 with 22% increment in VN-Index from 544 to 665 points (i.e. up by 121 points) for the year, while daily average transaction value expanded by 19% reaching VND 3,047 billion. VN-Index growth was largely stimulated by the stable macroeconomic environment along with increased market liquidity in Vietnam. An active trading environment led to higher domestic and foreign transaction values which increased by 14% and 39% respectively.

Trading activity for domestic investors became more dynamic amidst a backdrop of widespread equitization processes and divestitures of the State capital in large cap state-owned enterprises and corporations particularly in Q4-2016. The surge in transaction volume of actively traded stocks in dairy and steel industries also contributed to the increase. Meanwhile, foreign investors ended up in a “net selling” position for the first time with sizable offload of Vietnamese investments, which was mostly due to the restructuring of their ETF portfolios.

HSC Share Performance vs. Index Performance



Out of 12 months of trading in 2016, HSC shares outperformed the stock market in four months: January, February, June and December, while underperformed in the remain months. However, the lackluster performance may be attributed to the time lag factor in which share performance is reflective of past data shown in previous quarters. By Q4-2016, it can be noted that HSC’s share price was back on the rising trend with the perceived boost in market sentiment. Overall, in 2016 HSC attained significant growth in revenues, net profit and earnings per share through positive developments on various business functions throughout the year.

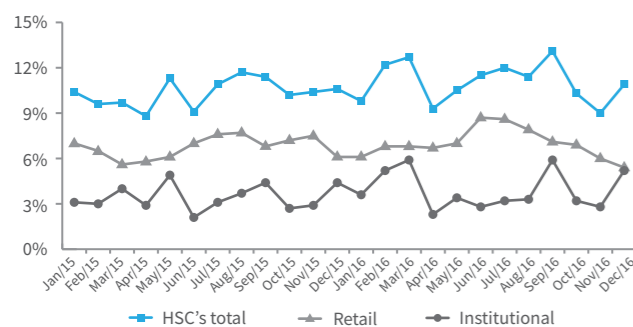
HSC’s brokerage market share

	FY2016	FY2015	2016 Target
HOSE	12.5%	12.0%	
HNX	6.8%	6.1%	
Upcom	5.6%	3.2%	
Total market share by exchanges	11.2%	10.4%	11.8%
Retail clients of HSC / Total market	7.1%	6.9%	8.0%
Institutional clients of HSC / Total market	3.9%	3.4%	3.8%
Proprietary trading of HSC / Total market	0.2%	0.1%	
Total market share by type of clients	11.2%	10.4%	11.8%
Private Client of HSC / Total local market	9.6%	8.9%	10.8%
Foreign Institution of HSC / Total foreign market	28.5%	27.9%	28.0%

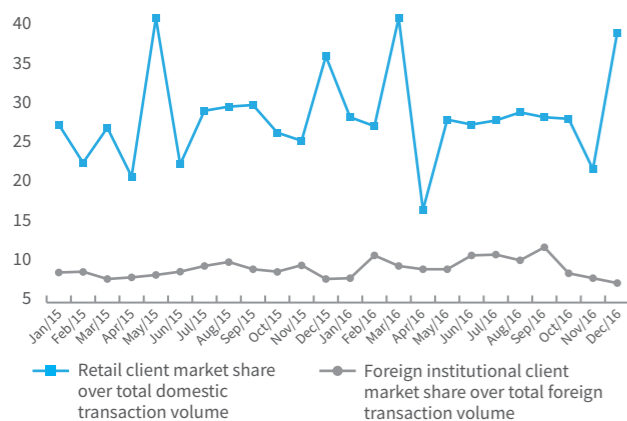
PERFORMANCE OVERVIEW

In terms of market share, HSC secured a marginal increase with higher level of brokerage activities through retail clients, institutional clients and proprietary trading. HSC's brokerage services occupied 11.2% of total market, a slight increase from 2015, drawing close to the 11.8% target for 2016.

HSC's brokerage market share



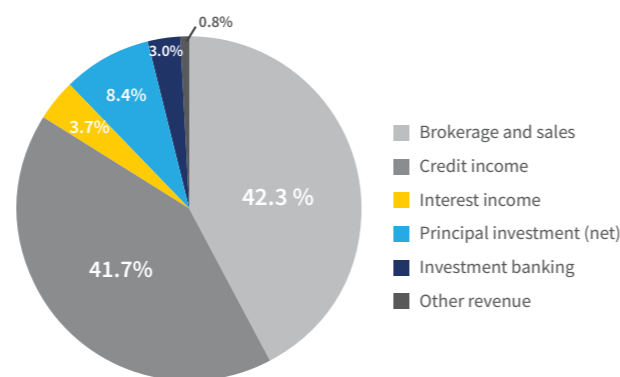
HSC's market share over total domestic and foreign transaction volume



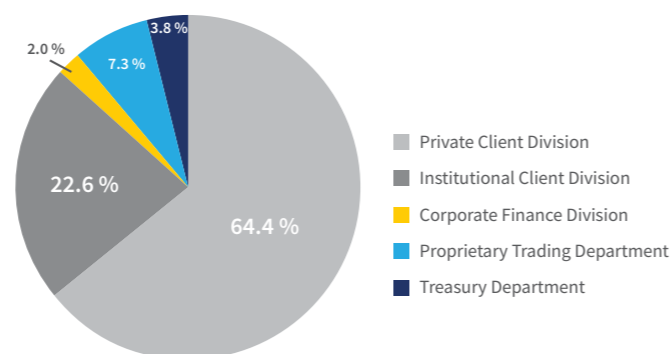
HSC's domestic retail business steadily gained market share during 2016 with a slight decline towards the end of Q4-2016. Its market share generated by domestic retail clients improved to 9.6%, despite falling short of the 10.8% target. This was primarily due to the fact that certain active stocks (e.g. GEX, ROS, FLC, VIC), that represents 12% of total domestic trade value, were not traded via HSC. Total trading volume of the stocks accounted for 12% of total trading volume of local investors while there was only 0.25% of the volume trade via HSC.

Meanwhile, contribution from foreign investors saw several peaks of volatility throughout 2016. While accounting for 28.5% of total foreign trade value in the market in 2016, HSC's foreign market share had been fairly consistent at approx. one-third of the market over the past years. The noticeable peaks in foreign transactions in the months of March, September and December, were triggered by large transactions in MSN, VNM, FPT, SAB, etc.

Revenue (by Type)



Revenue (by Division)



The two pie charts above display the revenue contribution segregated by division and type. Clearly, Private Client Division occupies the biggest revenue share for HSC at 64%, closely followed by the Institutional Client Division which accounts for 23%.

In terms of revenue generated by income type, brokerage fees and credit income are the core drivers of HSC's total revenue, each accounting for 42% of total revenue in 2016. Contribution from credit income saw a huge gain in line with the boom in the margin lending business.

FY2016 Performance Summary

In VND Million	FY2016	FY2015	% Change	2016 Target	% 2016 Target
Revenue	824,245	591,139	39%	734,593	112%
Brokerage and sales	348,957	262,076	33%	347,573	100%
Credit income	343,657	222,636	54%	286,000	120%
Interest income	30,569	54,719	-44%	34,947	87%
Principal investment	69,535	35,026	99%	35,373	197%
Investment banking	24,602	11,155	121%	25,500	96%
Other revenue	6,926	5,527	25%	5,200	133%
Operating expenses	439,651	319,667	38%	358,236	123%
Operating expenses	338,446	287,123	18%	340,236	99%
Bank interest expenses	45,252	7,390	512%	18,000	251%
Securities trading expenses	14,268	49,496	-71%		n/a
Loss from revaluation of financial assets at FVTPL	3,497	(24,342)	n/a	n/a	n/a
General provision for margin lending	19,997	-	n/a		n/a
Other income	790	28	2,729%		
Profit before tax	385,383	271,500	42%	376,357	102%
Profit after tax	304,531	213,310	43%	301,086	101%
Total assets	3,616,842	3,103,574	17%	3,330,481	109%
Shareholders' equity	2,391,917	2,279,549	5%	2,468,163	97%
Number of shares	127,155,368	127,185,417		127,185,417	
Weighted average number of shares	127,167,449	127,201,122		127,185,417	
Earnings per share (VND)	2,395	1,598	50%	2,367	
Book value per share (VND)	18,811	17,923	5%	19,406	
% Cost / Income (VND)	53%	54%		49%	

Total revenues in 2016 reached VND 824 billion, representing an increase of 39% compared to 2015, and 12% in excess of the target.

Brokerage and sales income increased by 33% to reach VND 349 billion as it was driven by the increase in transaction values on the back of improved market share. Revenue from margin lending operations soared in 2016 outperforming the target by 20%, and rising to VND 343 billion. Capital gains from trade in new portfolios and ETF led the income derived from proprietary trading to reap higher growth, almost double those of 2015. Corporate finance advisory income saw a hike of 121% with support from several high-valued advisory projects as well as client referrals and client research projects.

PERFORMANCE OVERVIEW

Similarly, operating expenses went far beyond the 2016 Target, hitting VND 440 billion as HSC provided substantial working capital for the margin lending operations. This led the bank interest expenses to increase five-fold, and thus, being the main factor towards the increase in operating expenses. A large proportion was also spent for salary, office rent, IT-related expenses and outsourcing expenses. Moreover, HSC recorded additional expenses in the form of provision for bad debt at VND 18.2 billion to account for unrecoverable margin loans and general provision for loans amounted to VND 20 billion.

Ratio Analysis

Key ratios	FY2016	FY2015
Profitability Ratios		
Operating profit margin	56.2%	57.0%
Net profit margin	36.9%	36.1%
ROAA	9.1%	6.6%
ROAE	13.0%	9.2%
Liquidity Ratios		
Cash ratio	0.30x	0.36x
Current ratio	2.84x	3.60x
Gearing Ratios		
Debt to equity ratio	51.2%	36.1%
Debt ratio	33.9%	26.6%
Market Ratios		
EPS	2,395	1,598
Dividend yield	6.3%	4.6%
P/E	11.4	19.3

Profitability

Operating profit margin and net profit margin remained relatively steady on a year on year basis despite significant rise in revenues from the Private Client Division and the Institutional Client Division. ROAA and ROAE saw large increments with ROAA up by 2.5 percentage points and ROAE by 3.8 percentage points in 2016. The rise in both ROAA and ROAE is predominantly due to the significant increase in HSC's net profit.

Liquidity

Cash ratio decreased slightly as a result of higher investments in various business functions of HSC to support growth. Much of the cash was utilized to finance margin trading and other short-term investments. Current ratio also saw a drop of 80 bps with assets invested to expand the margin lending business. Although current ratio turned out to be relatively lower, HSC is still high in liquidity and it is well-financed to fulfill its short-term obligations.

Gearing

Both debt-to-equity ratio and debt ratio increased in 2016 on a relative basis. D/E ratio crossed 51% as HSC tapped in to bank loans to finance its growing brokerage business instead of utilizing its own equity capital. Similar story can be seen for the Debt ratio as well.

Market Ratio

EPS increased almost by a half between 2016 and 2015 - in line with the rise in net profit owing to bigger-than-expected growth in HSC's margin lending business. Dividend yield increased by 1.7 percentage points while P/E was slashed by half as a result from a much higher EPS. This denotes that the company is projecting good growth with the market perceiving HSC to be of lower risk for investors.

The subsequent segments offer further details on the new developments of each business segment under HSC.

PRIVATE CLIENT DIVISION

Market optimism amidst growing business momentum

Riding the wave of high growth in Vietnamese securities market, the Private Client Division achieved swift, positive recovery from its subdued performance in 2015. The division remained as HSC's core revenue-generator at 64% of total revenue, contributing more than two-thirds of the profit before taxes - which also increased sharply against 2015. The Private Client Division represented the broad upswing in growth of HSC's overall business performance as the division outperformed its 2016 Target.

Private Client Division (VND million)	FY2016	FY2015	% Change	2016 Target	% 2016 Target
Revenue	530,452	391,068	36%	508,242	104%
Brokerage fees	203,500	168,216	21%	225,264	90%
Margin lending	319,945	218,065	47%	278,278	115%
Other revenues	7,007	4,788	46%	4,700	149%
Operating expense	272,655	195,595	39%	244,900	111%
Direct expenses	166,891	147,277	13%	182,178	92%
Indirect expenses	45,491	41,081	11%	45,214	101%
Bank interest expense	42,082	7,237	481%	17,509	240%
Provision for doubtful debts	18,191	-	n/a	-	n/a
Profit before tax	257,797	195,473	32%	263,342	98%
% HSC revenue	64%	66%		69%	
% HSC profit before tax	67%	72%		70%	
% Expense/Revenue	51%	50%		48%	

Revenue

Total revenue for Private Client Division was VND 530 billion, a rise of 36% from 2015. Most of the division's income is derived from brokerage fees and margin lending. Both of these revenue streams displayed higher values for 2016 compared to 2015.

Revenue: Brokerage fees

Private Client Division (VND million)	FY2016	FY2015	% Change	2016 Target	% 2016 Target
Market local trading value	564,449,021	493,510,415	14%	548,340,000	103%
PCD trading value/Market local trading value	9.6%	8.9%	9%	10.8%	89%
PCD trading value	108,646,823	87,416,306	24%	118,560,000	92%
Average gross brokerage fee rate %	0.187%	0.192%	-3%	0.190%	99%
Total gross brokerage fees	203,500	168,216	21%	225,264	90%

PERFORMANCE OVERVIEW

Gross brokerage fees increased by 21% to VND 204 billion in 2016, primarily driven by the following factors:

- PCD trading value increased by 24% due to positive consumer sentiment and business confidence in Vietnam. This increase in trading values was directly proportional to the increase in Vietnam's benchmark index.
- PCD's market share increased from 8.9% in 2015 to 9.6% in 2016.
- Whereas the average gross brokerage fee rate saw a decrease of 3% compared to 2015.

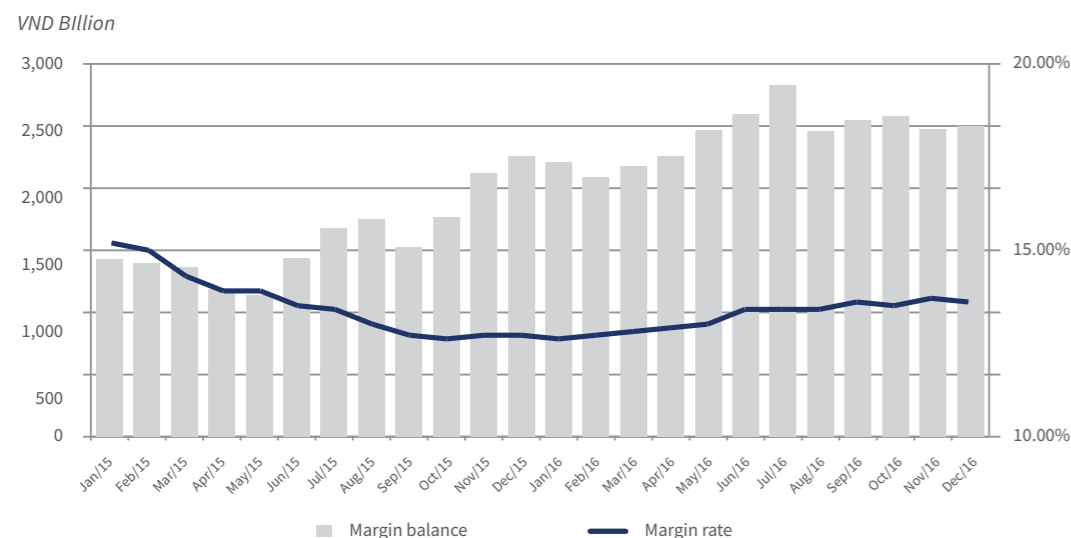
Revenue: Margin lending

Margin Lending (VND million)	FY2016	FY2015	% Change	2016 Target	% 2016 Target
HSC's average margin balance	2,599,380	1,656,851	57%	2,200,000	118%
<i>In which:</i>					
PCD's margin balance	2,432,746	1,612,911	51%	2,140,600	114%
PCD's lending rate	13.2%	13.5%	-2%	13.0%	102%
PCD's margin income	319,945	218,065	47%	278,278	115%

Margin lending revenues went up almost by a half to reach VND 320 billion, exceeding the 2016 target by 15%. Such substantial gain can be attributed to the following factors:

- Average margin balance for PCD increased by 51% to VND 2,432 billion in 2016, and at one point peaked at VND 3,235 billion, due to additional demand stimulated by buoyed trading patterns along with liberal margin lending policies;
- HSC also extended its margin lending portfolio from 150 to over 230 stock tickers that are eligible for margin lending under State of Securities Commission (SSC);
- Average margin rate dropped by 30 basis points to 13.2% from 13.5% in 2015 because of the downtrend in market deposit rate and the stiff competition faced by HSC in the private client market. The policy indicting penalty interest on overdue margin loans was cancelled to make HSC more competitive.

Margin lending



Revenue: Others

PCD's other revenue streams consist of gains from securities trading services, client referrals to the Corporate Finance Division and shareholder management services.

Operating expenses

In line with growing revenue base, operating expenses also rose sharply by 39% to reach VND 273 billion in 2016, driven by increases of 13% of direct expenses and 11% of indirect expenses. Rise in operating expenses was predominantly brought by HSC's expansion in its margin lending portfolio as well as additional provision for bad debt.

The majority (i.e. 88%) of direct expenses consists of associated fixed costs involving salaries, office rent and IT expenditures and commission paid to the Exchanges at 0.03% regarding to value of transactions through HSC. The 13% increase in direct expenses was a result of greater investment into personnel and technology (e.g. higher salaries paid for the higher number of brokers working, from 213 to 239 personnel in 2016 on average, i.e. 12% increase). The 12% increase in indirect expenses was essentially due to the resource support deployed to develop the margin lending risk management department (e.g. legal counseling fees, staffing expenses of the support team).

The expansion of HSC's margin lending portfolio led the interest expenses to go up five-fold to VND 42 billion in order to meet the capital requirements of bigger margin lending activities in 2016.

Focus on New Market Segment and Product Innovations

Moving to 2017 and beyond, PCD is aiming to take a new direction to help improve the consultative capability of its brokers. Some of the key initiatives include:

- Establish an exclusive radio channel for PCD members with fortnightly broadcasting to keep them up-to-date on the following topics: HSC's policies, HSC's success stories, PCD's and HSC's targets / progress, interviews with guest speakers from HSC's other departments, etc.;
- Divide PCD into three separate regions in order to ensure staff's interest and concerns are listened carefully, and appropriate responses are provided by three regional heads;

- Penetrate the new market segments: Striving to target high-net-worth individuals (HNWI) who need personal advisors to make rather large investment decisions, and financially astute individuals who need intelligence reports to support their own investments;
- Further strengthen PCD's research team to produce high quality investment research and more effective investment guides for clients;
- PCD is also preparing to introduce two new upcoming derivative products, namely Index Futures and Covered Warrants, which are expected to be introduced into the Vietnam market by Q2 and Q3-2017 respectively. These products are geared towards expanding clients' investment options which will help strengthen HSC's foothold in the private client market. The introduction of these products, however, may necessitate HSC to have more capital allocated for the division.

Leading Innovative Trading Mechanisms

As competition for the retail brokerage market in Vietnam becomes more intense, with large trade volumes arising from large retail clients, HSC positions itself to embrace a more customer-centric approach by delivering unique user experiences by investing in key technologies to build better customer value.

In relation to this, HSC continued to improve its overall trading platform by infusing new technology and high quality content with the creation of a multi-channel Internet trading platform with various value-added functionalities to feed insightful information to the clients. The development of the integrated trading platform was initiated at the end of 2016 and is expected to be operational by the end of Q2-2017.

INSTITUTIONAL CLIENT DIVISION

Accelerated market conditions and attractive foreign investments

2016 was a period of significant change for the Institutional Client Division. The fundamental drivers for this were improved market conditions as evidenced by the strong market performance, an increased market trading volume and the continued strong performance of the Institutional Client Division in delivering excellent research, sales and trading performance.

The division contributed a larger percentage (i.e. 23%) to HSC’s total revenue, and remained as the second largest business segment for HSC. Significant growth was seen with the 94% surge in profit before tax that reached VND 91 billion, far outperforming the 2016 Target by 32%.

Net selling position, the first for foreign investors

In 2016, the market demonstrated significant increases in the number of transactions by foreign clients. Moreover, total trading value of foreign transactions increased by 39% as a result of higher flexibility in trading large-cap stocks. By the end of 2016, the market closed at a net selling position with foreign investors causing a massive sell-off of blue-chip stocks, particularly VNM, MSN, VIC and FPT.

The main reason for this was the dramatic underperformance of the two leading ETFs in the market which was a result of foreign investors not being able to hold key stocks due to those stocks being at their foreign ownership limits. This resulted in major outflows in both these ETFs which led to a net-sell amongst foreign investors in 2016.

In addition, the announcement of the U.S. Federal Reserve interest rate hike and reduced risk appetite for frontier market exposure also played a key role in net selling position. With this, HSC’s foreign institutional trading value went up by 42% to reach VND 57 trillion in 2016.

Institutional Client Division (VND Million)	FY2016	FY2015	% Change	2016 Target	% 2016 Target
Revenue	185,895	114,928	62%	144,531	129%
Listed stock brokerage fees	135,416	93,038	46%	122,309	111%
OTC stock brokerage fees	9,911	823	1105%	-	n/a
Margin lending	23,529	4,572	415%	7,722	305%
Income from capital using activities	8,892	10,471	-15%	9,000	99%
Other revenues	8,147	6,025	35%	5,500	148%
Operating expense	94,429	67,730	39%	75,287	125%
Direct expenses	81,967	59,015	39%	65,844	124%
Indirect expenses	9,292	8,561	9%	8,952	104%
Bank interest expense	3,170	153	1967%	491	645%
Profit before tax	91,466	47,198	94%	69,245	132%
% HSC revenue	23%	19%		20%	
% HSC profit before tax	24%	12%		18%	
% Expense/Revenue	51%	59%		52%	

Revenue

Total revenue for the Institutional Client Division increased by 62% to reach VND 186 billion, and exceeded the 2016 target by 29%. Listed stock brokerage fees contributed to more than two-third of the division’s income with the remaining portion generated by OTC stock brokerage fees, margin lending, income from capital using activities and others.

Revenue: Listed stock brokerage fees

Brokerage fees for the listed shares rose by half to reach VND 135 billion, surpassing the 2016 Target by 11%. The increase is owed to the following:

- Total trading value by conventional institutional clients expanded by more than one third and brought a 37% rise in gross fees earned for 2016 at VND 82.4 billion;
- Total trading value led by client referrals through intermediary brokerage firm recorded 73% higher gross fee earnings to reach VND 33.9 billion;
- Bond brokerage activities were more active as seen from the 16% increase to reach VND 10.5 billion, exceeding the 2016 target by 5%.

Revenue: OTC stock brokerage fees

OTC stock brokerage fees expanded by more than ten times compared to 2015. These transactions related to Sabeco when they were not listed yet.

Revenue: Margin lending

Margin trading turnover increased four-fold to reach VND 23.6 billion, exceeding the set target for 2016 by thrice due to the increasing demand for margin in equity transaction of our institutions clients.

Revenue: Income from capital using activities

Revenue from capital using activities in 2016 was mainly attributed to the purchase and resale to institutional investors. Average capital invested decreased by two-thirds to VND 14 billion but provided higher ROI of 44% p.a. compared to 26% p.a. in 2015.

Operating expenses

The 39% increase in operating expenses in 2016 was prompted by increase in all three expenditure types: direct operating expenses, indirect operating expenses and bank interest expenses.

- Direct operating expenses had a 39% increase, in which:
 - The brokerage expenses increased by 41% in line with the rise in stock brokerage fee revenue;
 - Commission expenses is a pay away to offshore brokers;
 - Other direct expenses include staff costs and information technology expenses, which remained unchanged from 2015.

- Indirect operating expenses was up by 9% with more expenses allocated to reinforce the supporting departments;
- Bank interest expense accelerated sharply as a result from HSC’s incentive to expand its margin lending activities.

Building synergy between business functionalities

Looking forward to 2017, HSC plans to synergize the business functionalities between the Institutional Client Division and the Corporate Finance Division. This synergy is crucial especially because the Corporate Finance division is in a state of transition into a mature investment banking business. Through Institutional Client Division, HSC may be able to leverage on the division’s secondary market capabilities in the brokerage business, to support the development of the investment banking business.

In particular, support may be provided in the form of attracting clients from the institutional client base to engage with HSC in facilitating large-scale, primary transactions (e.g. IPO, M&A). This would allow HSC to execute successful IPO or M&A transactions and further solidify HSC’s penetration into the investment banking market. Going to 2017, more resource support will be given to reinforce and expand the investment banking business for HSC.

Having successfully merged the research and institutional brokerage departments into Institutional Client Division a few years ago, the division is able to offer an in-depth, high quality service to clients, who routinely come into contact with divisional representatives from both the sales and research teams. All staffs are closely mentored to be able to provide this direct service to the highest quality as this is increasingly demanded by clients.

Another very important requirement for institutional investors is corporate access, and the division has again been very active in providing this through various programs. In 2016, the division arranged nearly 90 trips to enable both domestic and international investors to visit leading Vietnamese companies. This value-added activity will continue in 2017.

Moreover, the investment options for institutional clients will be expanded through introduction of two new derivatives products, Index Futures and Covered Warrants, which are expected to be available in the Vietnam market by Q2 and Q3 2017.

CORPORATE FINANCE DIVISION

2016: The year of Revival for Corporate Finance

HSC's Corporate Finance Division significantly turned around in 2016 from a rather lackluster performance in 2015, amidst the backdrop of quite an active advisory market in Vietnam. The priority of the Corporate Finance team was to enhance the advisory capabilities of the team to prepare for larger deals to be undertaken in 2017, with plans to use the firm's capital to compete on future deals, whereas no capital was used by the team in 2016.

Despite contributing merely 2% of HSC's total revenues in 2016, Corporate Finance Division will very much be a focus area in the coming years for HSC.

Corporate Finance Division (VND million)	FY2016	FY2015	% Change	2016 Target	% 2016 Target
Revenue	16,279	6,093	167%	30,080	54%
Advisory fee	16,279	5,733	184%	20,000	81%
Income from using capital	-	360	-100%	10,080	n/a
Operating expense	14,248	10,211	40%	13,340	107%
Direct expenses	9,165	5,355	71%	8,724	105%
Indirect expenses	5,083	4,856	5%	4,616	110%
Profit/(loss) before tax	2,032	(4,118)	n/a	16,740	12%
% HSC revenue	2%	1%		4%	
% HSC profit before tax	1%	n/a		4%	
% Expense/Revenue	88%	168%		44%	

Advisory Fees

Revenues from advisory fees more than tripled in 2016 to reach VND 16.3 billion but were lower than initial targets, as the Corporate Finance team have not committed any of the firm's capital to compete in deals during 2016.

Key advisory clients in 2016 included: HD Saison, CTI, Con Cung Investment JSC, Nam Long Investment JSC, Siam Brothers Vietnam, Viglacera Corporation, Dong A, KIDO, Saigon Union of Trading Cooperatives and Digiworld Corporation.

Operating expenses

Total operating expenses of Corporate Finance Division in 2016 was VND 14.2 billion, increasing by 40% compared to 2015, as a result of capacity building of its human resources. Total direct expenses increased by 71% due to increase in salary expenses for senior personnel and customer related expenses.

Seizing Corporate Finance and Investment Banking opportunities in 2017-2021

In next 5 years, Vietnam economic activity will likely continue to grow the fastest amongst all Asian economies, fueled by strong consumer confidence of a young population with a growing middle class and within quite a stable political environment.

In an effort to enhance efficiency and generate much needed additional tax revenues, since 2016 the Vietnam Government has launched a large-scale privatization program by continuing to reduce its stakes in, or equitizing, over 400 state corporations at all government levels including state corporations controlled by the Government such as Electricity of Vietnam (EVN), by Ministries (such as Ministry of Industry and Commerce, Ministry of Construction, Ministry of Agriculture and Rural Development, Ministry of Transport, etc), and by Peoples Committees of Cities including Hanoi and HCMC.

Opportunities for Corporate Finance advisory will likely abound due to:

- Increased demand for fund raising mandates such as IPOs or Placements by Vietnam private and public sector companies, which continue to roll-out even bigger expansion plans, after having grown in last 15 years to become industry leaders in Vietnam and now preparing to outgrow their domestic markets to start covering other regional markets;
- Divestments by the State in equity stakes in small and large SOEs by way of public auctions or negotiated transactions on stock exchanges or if these fail to succeed through private placement sales.

New emerging trends in Vietnam Corporate Finance this year include IPOs launched in Vietnam by foreign-owned enterprises, which started many years ago as green field or venture capital projects to successfully grow to occupy today major market share in their own industry sectors in Vietnam.

Involvements of foreign and global investment banking firms have also increased as a result of the increased size of the transactions. Taking advantage of that trend, HSC has established solid working and cooperation relationships with global investment banking and brokerage firms such as CLSA, Deutsche Bank, HSBC, Samsung Securities and J.P. Morgan in order to bid on the increasing number of cross-border transactions.

Looking forward, 2017 is expected to be another active year for Corporate Finance business as market sentiment will continue to improve in Vietnam. Particular focus will be in consumer related sectors (e.g. food & beverage, FMCG, finance, residential real estate, construction materials, etc) supported by the fact that vast majority of Vietnam's economic activities are centered on consumption by a fast growing middle class. Education and healthcare sectors will also be potentially lucrative areas for HSC.

The continued privatization of large state-owned enterprises in the pipeline for 2017-2021 such as Viglacera and HUD (under Ministry of Construction), Habeco, Sabeco and Vinachem (under Ministry of Industry and Trade), Vietnam Rubber Group (under Ministry of Agriculture and Rural Development), Mobifone and VNPT (under Ministry of Information and Communications) and Viettel (under Ministry of Defense) will further fuel the advisory market in Vietnam. While the related transaction execution process may be time-consuming and subject to many constraints, privatization and equitizations will offer significant business opportunities for HSC to establish its foothold as a reputable investment banking firm in Vietnam.

INVESTMENT DIVISION

Proprietary Trading

Proprietary Trading performance turned positive in 2016 after making losses in 2015. Not only did the department exceed the 2016 target by more than three times, it also recorded a higher proportion of HSC's total revenue in 2016. Profit before taxes for the department reached almost VND 40 billion in 2016.

Proprietary Trading (VND million)	FY2016	FY2015	% Change	2016 Target	% 2016 Target
Revenue	60,304	21,525	180%	16,293	370%
Old portfolio	1,050	462	127%	845	124%
New Portfolio	53,362	21,062	153%	12,448	429%
ETF Portfolio	5,892	0	n/a	3,000	196%
Operating expense	20,765	29,915	-31%	5,102	407%
Direct expenses	19,280	28,393	-32%	3,587	537%
Indirect expenses	1,485	1,521	-2%	1,514	98%
Profit/(loss) before tax	39,539	(8,390)	n/a	11,192	353%
% HSC revenue	7%	4%		2%	
% HSC profit before tax	10%	n/a		3%	
% Expense/Revenue	34%	139%		31%	

Revenues

The main driver behind revenue growth in 2016 was the improved performance of new portfolio – which contributed to almost 90% of the entire division's revenues.

After the adverse impacts of the Chinese stock market in early 2016, the market regained its footing from Q2-2016 onwards, which resulted in revenues of VND 53.4 billion from the new portfolio. This sharp rise in revenues mainly consisted of realized gain of MWG, VNM, HSG, HPG, NVL stocks, and reversal of provision for new portfolio in 2016.

Average capital invested in the new portfolio in 2016 was VND 84 billion with ROI of 52% p.a. compared with an average investment of VND 74 billion in 2015.

The old portfolio includes stocks brought forward from 2013. The main revenue generated in 2016 on this portfolio arose from dividends and totalled VND 1 billion.

Operating Expenses

Total operating expenses of Proprietary Trading dropped sharply in 2016 to reach VND 20.7 billion, driven by lower direct costs which accounted for 94% of the total expenses.

Direct costs fell 32% compared to 2015, and mainly comprised expenses relating to securities investment, and also release of provisions held against the OTC portfolio.

Treasury Department

The main purpose of the Treasury Department is to ensure optimum allocation of capital and resources, to support the core businesses of HSC through efficient balance sheet management. Although this non-core function is a revenue generating entities, making profits remain a secondary priority.

Profit before taxes of the department plunged by a half to reach VND 26.5 billion, contributing a meagre 7% of HSC's net profit.

Treasury (VND million)	FY2016	FY2015	% Change	2016 Target	% 2016 Target
Revenue	31,314	57,525	-46%	35,447	88%
Deposit income	30,569	54,719	-44%	34,947	87%
Bond investment	139	2,670	-95%	-	n/a
Other	607	136	345%	500	121%
Operating expense	4,775	4,216	13%	4,177	114%
Direct expenses	3,363	2,879	17%	2,825	119%
Indirect expenses	1,411	1,337	6%	1,352	104%
Profit/(loss) before tax	26,540	53,309	-50%	31,269	85%
% HSC revenue	4%	10%		5%	
% HSC profit before tax	7%	20%		8%	
% Expense/Revenue	15%	7%		12%	

Revenues

Revenues from the Treasury function in 2016 fell to VND 31 billion, down by 46% compared to 2015 primarily due to interest rate fall and meager return from bond investments in Vietnam.

Capital in 2016 was mainly allocated to margin lending and proprietary trading business, while the remaining portion was deposited in banks.

Average interest rates on deposits in 2016 rose to 5.45% p.a. from 4.97% p.a. in 2015.

Operating Expenses

Operating expenses grew by 13% in 2016 from the previous year to reach VND 4.8 billion included bond brokerage expenses in 2016 compared to no such expenses incurred in 2015.

Derivatives pave the way for Revenue Growth

Two new derivative products, i.e. Index Futures & Covered Warrants, will not only provide new opportunities for HSC in 2017, it will also beacon a new era of client transactions. HSC will strive to expand the funding capacity of the Treasury Trading business to facilitate the derivative products development as well as the existing margin lending business.

By Q2-2017, technology preparations and regulatory hurdles of Index Futures are expected to be completed. HSC is one of the first securities brokerage firms to have been collaborating with HNX in regards to this market development.

In case of Covered Warrants, regulatory framework has already been established and partnership with HOSE is under way. This product will primarily attract local retail investors who are keen on adding leveraged assets to their portfolio.

TOTAL OPERATING EXPENSES

2016 compared to 2015

As revenue base expanded in 2016 for HSC - so did the operational expenses which touched VND 439 billion in total. This indicates a rise of 38% compared to the year before, surpassing the 2016 target by more than a fifth. Subsequently, cost to income ratio, which is computed by dividing operating expenses by net income, in 2016 was at 53%, slightly lower than 54% in 2015.

However, excluding the bank interest expense and provisions, HSC's operating expenses in 2016 only increased by 18% compared to the corresponding period last year.

Operating Expenses (VND Million)	Weight	FY2016	FY2015	% Change	2016 Target	% 2016 Target
Salary and related expenses	50%	167,553	141,925	18%	166,581	100%
Brokerage expenses	18%	61,074	44,444	37%	54,624	112%
Outsourcing expenses	16%	55,769	48,149	16%	54,933	103%
Information technology expenses	4%	14,742	14,811	0%	18,566	79%
Leasing expenses	6%	20,608	20,079	3%	21,255	97%
Depreciation and amortization	2%	5,921	5,507	8%	9,399	63%
Other expenses	4%	12,778	12,208	5%	14,878	86%
Operating expenses before interest expenses and provisions	100%	338,446	287,123	18%	340,235	104%
Interest expenses		45,252	7,390	512%	18,000	251%
Securities trading expenses		14,968	49,496	-71%	-	n/a
Loss from revaluation of financial assets at FVTPL		3,497	(24,342)	n/a	-	n/a
Provision for bad debts		18,191	-	n/a	-	n/a
General provision for lending		19,997	-	n/a	-	n/a
Total operating expenses		439,651	319,667	38%	358,235	123%
% Total expenses/Total revenue		53%	54%		49%	

Salaries and Personnel Related Expenses

Salaries expenses accounted for almost half of the total operating expenses in 2016, which increased by 18% on a year on year basis. This can be attributed to:

- Higher number of brokers in transaction offices and support staff in Private Client Division (from 419 people to 450 people in 2016 on average) as a result of increased market activities. This division alone contributed to 4 percentage point increase in Salaries in 2016;
- Increased personnel expenses for Corporate Finance division, Institutional Client division, and Internal Audit Departments, was accountable for 4% increase;
- Increased in brokerage commission paid to brokers, which led to an increase of 10% in salaries expenses in 2016.

Brokerage expenses

Brokerage expenses accounted for 18% of total operating expenses and increased 37% in comparison to 2015, was in line with the trend of higher trading value at HSC during 2016.

Outsourcing expenses

Outsourcing expenses accounted for 16% of total operating expenses, rise by 16% compared to 2015. An increase in brokerage commission paid to offshore brokers in 2016 as the result of the increase in outsourcing expenses.

Information technology expenses

Information technology expenses mainly included the IT operation expense, which remained almost unchanged from 2015.

Leasing expenses

Leasing expense slightly rise by 3% compared to 2015 because of the movement of Kim Lien transaction office to new location at VCCI building since the end of 2015. Existing leasing contracts are all long-term with fixed monthly fees.

Depreciation & Amortization

Fixed assets depreciation in 2016 increased by 8% compared to 2015 due to 9% increase in depreciation

expenses for IT assets which accounted for 92% of total depreciation. Newly acquired IT assets in the H2-2015, such as customer relationship management (CRM) software, new server system and data storage devices, raised depreciation expenses in 2016. Depreciation expenses in 2016 only represented 63% of the target since some investments were not made as planned before and thus, no associated depreciation costs were incurred. A number of projects, which were underway at the end of 2016, are expected to be completed and put into operation in 2017 such as:

- Derivatives Trading Platform
- Disaster Recovery Plan (DRP) implementation
- Business process management (BPM) platform
- Business Intelligence (BI) Platform

IT related depreciation expense (VND million)		FY2016	FY2015	% Change	2016 Target	%2016 Target
Existing assets						
1	Software	2,803	2,109	33%	1,988	141%
	HSC	453	415	9%	453	100%
	CRM Software	809	439	84%	743	109%
	Device connecting Core CAL Software	319	416	-23%	333	96%
	Key pass (OTP) authentication software	682	573	19%	336	203%
	Windows Copyright	428	95	351%	111	384%
	Other software	113	112	1%	12	941%
2	Servers	871	1,069	-19%	860	101%
3	Network Equipment	807	701	15%	620	130%
4	CCTV System	240	824	-71%	64	373%
5	Firewall System	271	115	136%	177	153%
6	Computers and phones	134	138	-3%	206	65%
Assets planned for acquisition						
7	Derivatives Trading Platform	-	-		1,500	0%
8	DRP implementation	-	-		1,500	0%
9	BPM platform	-	-		667	0%
10	Business Intelligence platform	-	-		667	0%
11	HRIS HR Software	-	-		197	0%
12	Investment in infrastructure (new servers)	292			500	58%
Total depreciation expenses related to IT		5,418	4,957	9%	8,945	61%

Bank Interest Expenses

Bank interest expenses in 2016 increased five-fold to reach VND 45 billion compared to 2015 in order to meet working capital demands for margin lending business, which had a significant upswing amidst improved market sentiment.

Securities trading expenses

This expense incurred where securities were sold at lower price than cost price, thereby resulting in a loss. In according with Circular 95/2008/TT-BTC issued by Ministry of Finance guiding on accounting of securities investment, this should be booked as a direct cost rather than as a contra against revenue.

Loss from revaluation of financial assets at FVTPL

HSC recorded a provision for impairment of investment at VND 3.5 billion in 2016 compared to the reversal for impairment of securities investment in 2015.

Provision for bad debts

HSC recorded additional expense in the form of provision for bad debt at VND 18.2 billion to account for unrecoverable margin loans.

General provision for lending

These are general provisions for margin loans to be added in 2017 at a proportion of 0.75% on the margin increase compared to late 2016.

Balance Sheet Analysis

2016 compared to 2015

HSC's balance sheet has expanded by 17% to reach VND 3,616 billion between 31 December 2015 and 31 December 2016. This was largely due to increase in financial assets and loans as margin lending business flourished in 2016.

Item (VND million)	31/12/2016	31/12/2015	% change	2016 Average	2016 Target	% 2016 Target
A. Current Assets And Short-Term Investments	3,472,717	2,970,428	17%	3,031,710	3,190,138	95%
I. Current assets	3,468,203	2,965,610	17%	3,027,044	3,184,909	95%
1. Cash (excluding deposits from investors)	60,194	164,147	-70%	107,729	323,157	26%
2. Financial assets	306,372	132,175	132%	180,105	147,752	122%
3. Loans	2,750,945	2,609,605	10%	2,687,734	2,200,000	122%
Margin	2,666,331	2,515,797	10%	2,599,380	2,200,000	118%
4. Advance to suppliers	425	512	10%			
5. Receivables from services provided	370,008	57,145	-15%	53,198	526,219	10%
6. Other receivables	35,168	18,745	88%	26,956	4,500	599%
7. Provision for bad debts	(54,908)	(16,719)	228%	(21,219)	(16,719)	127%
II. Other current assets	4,514	4,818	-6%	4,666	5,229	89%
B. Fixed Assets And Long-Term Investments	144,125	133,146	8%	138,636	139,015	100%
I. Fixed assets	9,116	10,306	-12%	9,711	20,415	48%
II. Works in progress	11,158	1,807	517%	6,483	-	
III. Other long-term assets	123,851	121,033	2%	122,442	118,600	103%
Total Assets	3,616,842	3,103,574	17%	3,170,345	3,329,153	95%
A. Liabilities	1,224,925	824,025	49%	834,612	862,318	97%
I. Short term liabilities	1,224,925	824,025	49%	834,612	862,318	97%
Loans & bank overdrafts	1,000,000	654,103	53%	613,781	200,000	307%
B. Owners' Equity	2,391,917	2,279,549	5%	2,335,733	2,466,835	95%
I. Equity	2,391,917	2,279,549	5%	2,335,733	2,466,835	95%
Total Equity	3,616,842	3,103,574	17%	3,170,345	3,329,153	95%

Total assets as at 31 December 2016 consisted of loans (76%), financial assets (8%), cash (2%), fixed asset and long term investments (4%) and other accounts receivables.

Cash balance, including loans and bank overdrafts, at the end of 2016 dropped substantially to VND 60 billion from VND 164 billion. Majority of that cash was utilized in order to finance margin trading business and short-term investments while the rest was deployed to maintain day-to-day operations.

Financial assets include HSC's investments in shares, which valued at market prices (after provision) at 31 December 2016.

Loan balance of VND 2,750 billion mainly includes margin loans extended during 2016. The average margin balance for HSC reached VND 2,600 billion in 2016.

Receivables from services provided mainly include receivables from clearing settlement with the Stock Exchanges in the amount of VND 313 billion.

Capital as at 31 December 2016 reached VND 2,392 billion, increasing by VND 112.4 billion compared to late 2015, which can be attributed to:

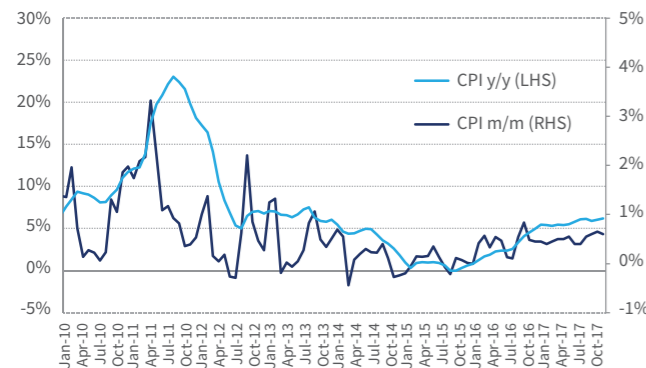
- Increased income after tax in 2016: VND 304.5 billion;
- Deduction from the 1st interim dividend advance in 2016 (5%): VND 63.5 billion;
- Deduction from the 2nd interim dividend advance in 2015 (9.3%): VND 118.2 billion;
- Deduction from appropriation of funds from 2015's income after tax: VND 10.0 billion.

STRATEGY & MACROECONOMIC 2017

HSC sees further room for economic growth in 2017 as the spectre of inflation returns

2017 CPI is forecasted to rise by 6.2% y/y

CPI - m/m and y/y trend



Source - GSO; MOF; all forecasts by HSC

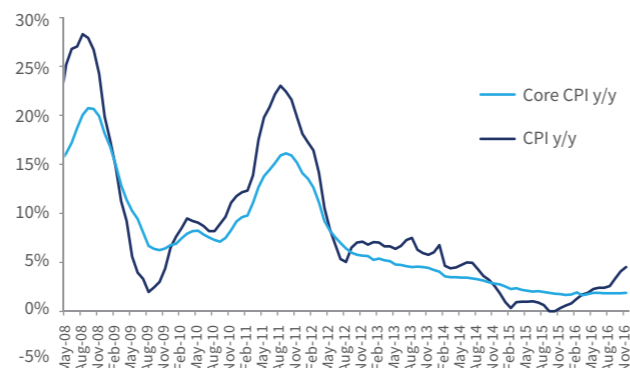
HSC estimates the FY2017 headline CPI to rise by 6.2% y/y while core inflation will increase by 2.2% y/y. Our forecasts are well above the Government's official forecast calling for a 4% y/y increase (they have now moved to an average CPI methodology). This also marks a mild acceleration on the 4.74% y/y increase seen in headline CPI and 1.87% in core CPI in 2016. We have already seen a quickening in the pace of inflation since 2015 when it ended the year with a 0.6% y/y increase.

We see some of the same forces at work in 2017; plus some new forces. CPI rise in 2016 was driven by (1) a 38% increase in healthcare service costs and an 11% increase in education costs coupled with a (2) 9% increase in fuel costs (including a 7.2% increase in the benchmark A92 petrol price and a 12.1% increase of diesel oil). Plus a more modest 3% increase in the food & foodstuffs index and finally a 3.57% increase in the accommodation and construction materials index.

As for 2017, the view is:

- Healthcare and education costs will continue to increase as per a prepared schedule, which has been partially delayed into 2017 increasing its impact;

Core vs. Headline CPI (y/y %)



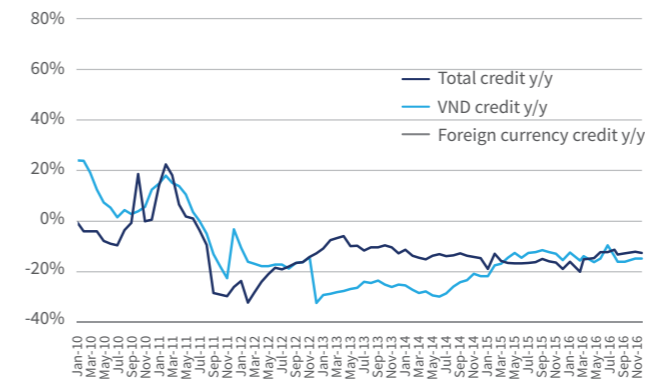
Source - GSO; IMF

- We forecast that WTI crude oil prices will rise to an average of US\$60 per barrel in 2017 leading to steady upward pressure on all petroleum products during the year;
- We also see higher food prices following the global trend. As higher demand coupled with higher fuel costs and uncertain weather patterns all play a part.

Credit growth expected to slow down to 16.9% in 2017

HSC had predicted that 2016 credit growth would expand around 15% whereas the actual figure touched 18%. We hadn't anticipated that the authorities would encourage credit growth so much, and more importantly would be able to do so for much of the year given moribund inflationary pressures (until Q3) and a somnolent currency. The key to credit growth in fact was money supply, and how much money supply can grow depends on the currency and inflation. In such a benign environment as we had for much of 2016 this meant that M2 could expand quite a bit. The waters of FY2017 won't be quite as calm and forgiving in our opinion.

Credit growth y/y



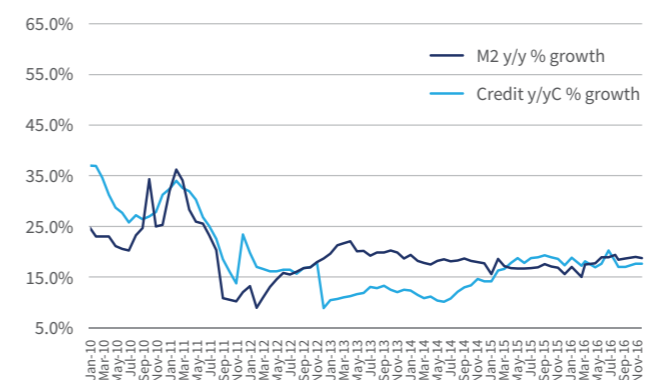
Source - SBV; HSC estimates

Hence we forecast credit growth of about 16.9% in 2017, based on M2 growth of 17.5% y/y. Both represent a modest deceleration on the estimated levels for 2016.

In 2016 credit growth was significantly faster than GDP growth. This was never going to be sustainable, and we view the acceleration in 2016 credit growth as anomalous given slowing GDP growth. And while we do argue for a modest acceleration in 2017 GDP growth we think a mild deceleration in credit growth is simply normative.

HSC forecasts M2 to grow by 17.5% y/y in 2017

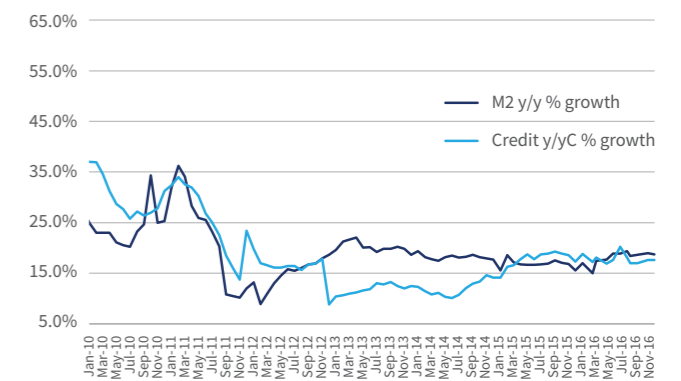
M2 vs. Credit % y/y growth



Source - SBV; HSC estimates

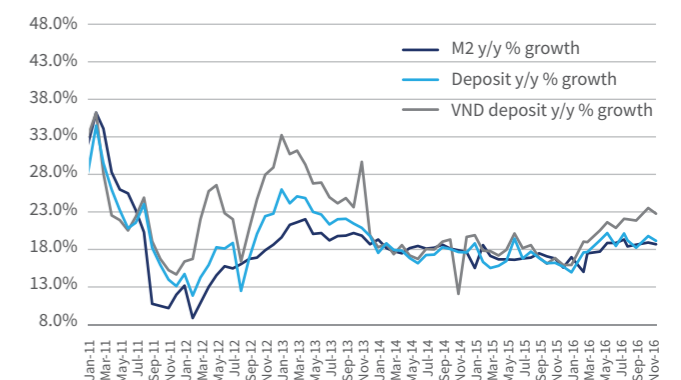
In FY2016, we estimated that M2 grew by some 18.5% (as of end November we estimate the y/y trend at around 18.6% y/y), which placed it around 290 bps faster than in 2015. Then for 2017 we forecast M2 will decelerate to some 17.5% growth y/y, i.e. approx. 100 bps slower than 2016, just slightly ahead of our credit growth forecast.

M2 vs. Credit % y/y growth



Source - SBV; HSC estimates

M2 vs. Deposit vs. VND deposit y/y deposit growth rates



Source - SBV; HSC estimates

In Vietnam, M2 growth targets are the result of a tussle between a need for growth and fear of inflation - As indeed elsewhere. Nothing new there then. However the two factors work in different ways. The need for growth is a constant. Every government would like to grow their economy as fast as possible. Always. In contrast the fear of inflation rises and falls.

And it is then that determines the sustainable level of growth. In this case we are talking specifically about monetary growth.

We think the SBV will slow down base money growth to protect the currency – And by doing so try to slow down any further dramatic acceleration in inflation. By reducing the growth in the supply of money to a level sufficient to ensure economic growth and also ensure that the State Treasury can find bank buyers for its bond issuance. Some of what happens here is beyond the control of the central bank. For example they can't defend a currency with a dollar peg indefinitely. And if commodity prices continue to rise there is little they can do about the accompanying increase in inflation except deal with its consequences.

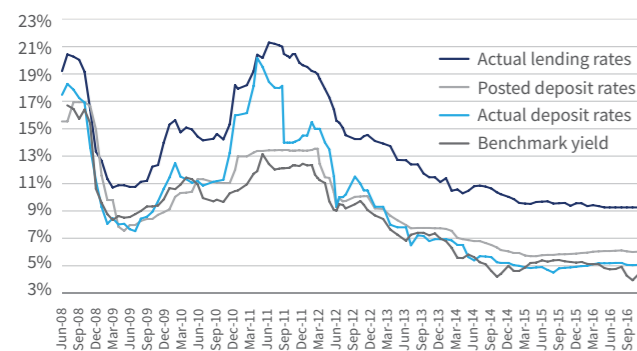
Slower M2 will raise the price of money - Even so; by getting ahead of the trend so to speak they can attempt to slow it down. And one obvious way to do that is to slow M2 and also credit growth targets for next year. This of course is more about policy nuance than any dramatic change. Even so; the effects of slightly slower M2 growth will be clear. It offers (1) a small buffer against dramatic currency depreciation; (2) slightly cools inflationary pressure; (3) leads to higher bank interest rates as supply is restricted against the background of constant demand.

In other words lower M2 growth, as much as higher interest rates, is a form of tightening monetary policy. And an appropriate and balanced approach to increasing pricing pressure. Given that this pricing pressure is still in its early phases. Effectively applied it may allow the SBV to avoid having to raise policy rates. As the simple effect of this will be to guide market interest rates higher. In a gradual and unobtrusive fashion.

Vietnamese Interest Rates will rise on average by 120 bps in 2017

HSC forecasts that average deposit & loan rates along with benchmark yields will increase by some 120 bps in 2017. This is based on a combination of factors:

Deposit rate vs. lending rates vs Benchmark yield

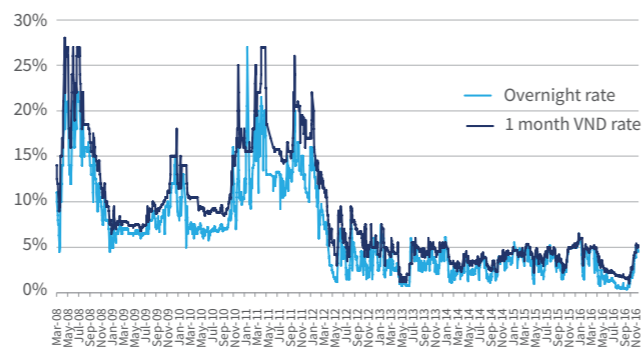


Source - HSC collection; Bloomberg

- Fed guidance now looking for three interest rate hikes in 2017;
- Our view of the expected trend for US benchmark treasury bond yields;
- Our forecasts for headline & core inflation here in Vietnam;
- Need to maintain a spread between VND and US\$ rates to ensure currency stability.

Recent Fed hike less significant for forward interest rates than change in forward rate guidance. The recent increase in the Fed funds rate of 25 bps was already long expected. However it was the increase in the forward guidance as shown in the so called “dot plot” (which gives a view on the likely future trajectory of the Fed funds rate) that led to an immediate reaction in all US interest earning asset classes. The Fed now expects that interest rates will

Short-term interest rate



Source - HSC collection; Bloomberg

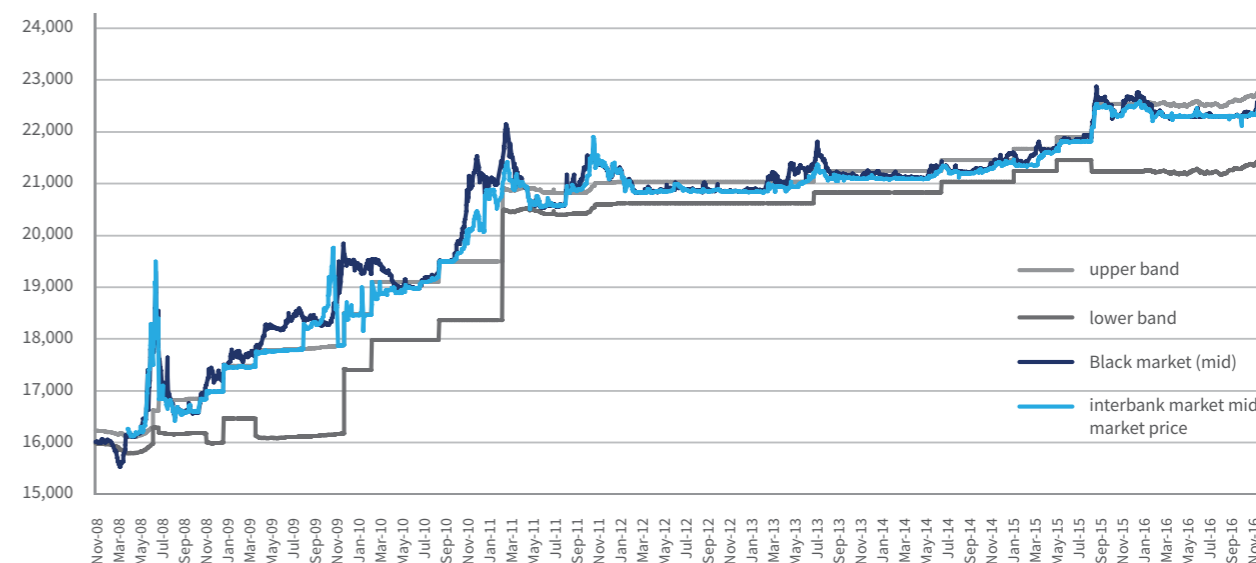
be hiked thrice in 2017 instead of twice as was the previous view. And that suggests about a 0.75% increase in the Fed funds rate to some 1.25-1.50% by the end of next year.

The interest rate view is more aggressive than the previously given perception that wholesale and consumer price inflation is quickening throughout the globe and the announcement of an aggressive fiscal stimulus by the incoming administration. Now of course it assumes to some extent that Congress will allow the plan to pass but then with a built-in Republican majority the chances of this are fairly high.

Rising CPI and core CPI will keep upward pressure on rates. HSC forecasts CPI will increase 6.2% y/y during FY2017 as commodity (food and fuel) prices quicken. And further believe core inflation will move higher also. This will exert consistent upward pressure on deposit rates and VGB bond yields as well.

HSC forecasts VND to depreciate by 3% in FY2017

VND US\$ exchange rate and band



Source - Reuters; SBV

HSC forecasts that the VND will depreciate by up to 3% of its value versus the US\$ in FY2017 – We forecast that the VND will drop a further 3% versus the US\$ in 2017 to end the year at a rate of around VND23,448.

- **Widening interest rate differentials will put modest pressure on the VND.** With domestic US\$ deposit rates likely to remain at zero for the 1-H at least; the interest rate differentials between onshore and offshore US\$ rates can only increase further. This will also spill over into VND interest rates given the government's commitment to keep rates as low as possible for as long as possible. Hence some investors may not feel sufficiently compensated for currency risk in fixed assets and therefore reduce exposure.
- **Increasing global pricing pressure an important factor here.** With commodity prices having bottomed out in Q1 2016 and the Bloomberg commodity index up 10.9% since then the resurgence of wholesale and consumer price inflation is real. And will accelerate in 2017. This adds to pressures as it will put upward pressure on the price of money. And to the extent that the pace of increase in the price of money differs between nations; currencies will bear the resulting additional pressure.
- **Modest decline in VND in 2016 was due to some one-off factors** - Here we are also assuming that the modest decline of the VND in 2016 was anomalous to some extent. Given that the effect of the declining balance of foreign currency deposits in the banking sector was both enormously helpful and also unsustainable. So our basic notion is to assume that this factor will not be as prominent in 2017.
- **Back to trade deficits** - HSC forecasts a trade deficit of some US\$2.71 billion in 2017 versus a trade surplus of some US\$2.68 billion in 2016 (according to the preliminary numbers). We also see the trade surplus as somewhat anomalous also being governed by a fairly sharp drop in imports. Which we see as related to destocking. This isn't sustainable in our view and the brighter outlook for global trade in 2017 will lead first to restocking and a resulting quickening in imports.
- **Slowing FDI; Incoming remittance and ODA flows will cumulatively add to a US\$ shortage onshore** – following our views above which forecasts a small but still significant decline in FDI; incoming remittance and also ODA flows in 2017 will have a clear impact on the capital account. And will only add to the pressure on the currency given that we expect a relative shortage of US\$ onshore.
- **Pressure is building in the OTC and gold markets** – we have seen familiar signs of pressure building in both the OTC forex markets and also the gold markets. Given rising premiums of domestic gold over foreign gold and OTC forex rate over the interbank market upper ceiling. This is a clear sign that an adjustment is likely.

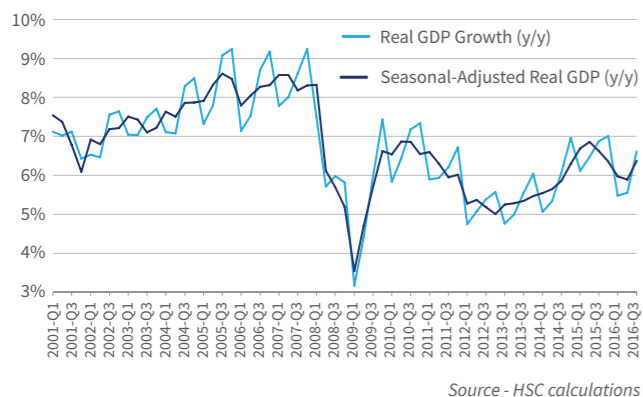
Impact so far to US\$ strength has been quite reserved. We don't see that lasting however – As mentioned the YTD 1.2% decline in the VND versus the US\$ is quite modest when compared to (1) recent history and (2) other regional currencies.

- For example in FY2015 the VND lost 4.97%;
- While in 2016, the Chinese Yuan lost 6.31% while the Ringgit has lost 4.34% both against the US\$.

Supporting our view that the very slight VND currency movement YTD has been rather unusual. And that we shouldn't bank on another year of very modest adjustments. Especially now that inflation has returned. While the potentially dislocatory effects of abnormally low interest rates globally accompanied with aggressive flows cannot be expected to unravel without causing any impact.

GDP will grow 6.54% in FY2017 after a slightly disappointing 2016

Real GDP and Seasonal-Adjusted GDP y/y



Source - HSC calculations

Our assumptions for GDP prediction include a recovery in the agriculture and mining sector, along with consumption related sectors. The potential recovery in commodity prices could well be the most significant tailwind for GDP in 2017 as the long downtrend on prices has depressed the primary (agriculture); secondary (mining) and tertiary (retail & wholesale) segments of the GDP series over the last few years.

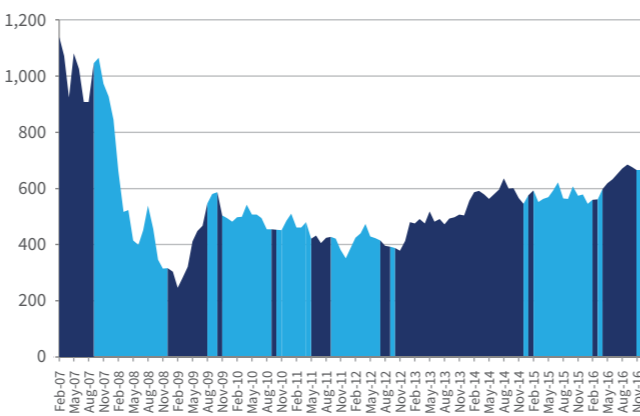
Even so we also see some headwinds such as rising inflation which will likely push up interest rates and the risk of some currency volatility. We also suggest that the manufacturing and construction segments, two growth stalwarts over the last few years, will see decelerating growth in 2017.

In the end 2016, GDP came to 6.21%, slightly below the adjusted target of 6.3–6.5% and of course also below the initial target of 6.7%. Even so, looking through the year each quarter saw a mild acceleration on the previous

quarter which at least suggests that things got better after a rocky start. The worst of the drought in the Mekong Delta coupled with the collapse in crude oil prices both had occurred in Q1.

HSC has set the VN-Index target of 800 for 2017

VN-Index Bull vs. Bear



Source - HSC calculations

In 2017, HSC forecast of 800 suggests a 20.3% gain on the 664.9 close for the index at the end of 2016, which compares to a gain of 18.6% in the preceding year. We see this performance being supported by:

- Modest and positive free liquidity as we expect that despite a narrowing of the gap between M2 growth and credit growth on an annualized basis that foreigners will turn around and become significant net buyers in 2017;
- A significant increase in mainly SOE related new listings further boosted by a sell down of government stakes in existing listed companies, will spur investment and interest in the stock market to unprecedented levels in 2017;
- Strong earnings growth with HSC calling for net profits growth of 19.7% for the Top 70 companies by market capitalization.

Much of 2017's performance will have to come from foreigners attracted by the active new listings. We don't see a linear market in 2017. The main challenge to performance will come from:

- Expected large increases in market supply from new listings;
- Stake sales by the government; and
- Normal capital raising activity by corporations.

Then we see a narrowing of the free liquidity which was so ample in 2016 as the next biggest challenge. Therefore much of our still positive investment thesis for 2017 depends on a return of foreign investors. However, all of that depends on the timeline of interesting equitizations which will be lumpy.

Market successfully overcame foreign net selling over the last 6 months or so. We have already seen a lot of these features in the last 6 months of 2016 except for the foreign net buying part. This occurred mostly due to aggressive foreign net selling. In fact, were it not for the positive net liquidity and aggressive increase in margin lending activity the market would have performed significantly worse.

Free liquidity gap also looks set to narrow as both credit growth and M2 growth likely to slow. Our macro view on liquidity assumes that credit growth will slow to around 16.9% in FY2017 versus our target for 17.5% growth in M2 money supply. We see this as narrowing the positive free liquidity gap seen in 2016 to just some 60 bps as a result of resurgence in inflation and heightened currency concerns

which are forcing a rethink in the State Bank of Vietnam's (SBV) priorities for 2017. This is, of course, not so good news for the stock market.

The Vietnamese equity market, like any equity market rests on the condition of its three main pillars:

- Free liquidity - small positive
- Net supply - small negative
- Earnings growth - large positive

HSC is not concerned about oversupply this year as we argue that for most IPOs & listings only a small percentage of the shares actually change hands. So while the overall market capitalisation of the market may increase substantially as we have seen in 2016, this doesn't mean that a lot of shares will change hands.

At first glance, the backdrop might look rather mixed for equities. However, the micro climate for several key industries looks better.

Key positive and negative factors for the Vietnamese stock market in 2017

BUY signals for the Vietnamese stock market	Importance level -Primary/ Secondary	Likelihood in next 3 months	Likelihood in next 6 months	Likelihood in next 12 months
Macroeconomic changes				
Acceleration in GDP growth in 2017	Primary	Low	Medium	Medium
Early signs of a pickup in consumption & exports	Primary	High	High	High
Recovery in resource & agriculture sector on higher commodity prices	Primary	High	High	High
Slowdown in manufacturing and construction sectors	Secondary	Low	Medium	Medium
CPI to accelerate	Primary	Low	Medium	Medium
Currency to depreciate at a faster rate than in 2016	Primary	Low	Medium	Medium
Monetary policy changes				
Credit growth & M2 to slow down in 2017	Primary	Medium	High	High
Positive free liquidity gap to narrow	Primary	High	High	High
Interest rates to move higher	Primary	Low	Medium	High
Fiscal Policy and Balance of Payments				
Budget deficit to narrow as new revenue sources added	Primary	Medium	Medium	High
Trade deficit to return as imports accelerate	Primary	Low	Medium	High
Balance of Payments to see small deficit as incoming flows slow	Primary	Low	Medium	High
Structural change				
Equitisation program to continue at same rapid pace as in 2-H	Primary	High	High	High
2016 Acceleration of bank restructuring and M&A	Primary	Low	High	High
Addition of derivative and covered warrant products to deepen market liquidity	Primary	Low	Medium	High
Other factors				
Incoming M&A activity in several key sectors	Primary	High	High	High
Moving up value chain for exports especially high tech exports	Secondary	High	High	High
Failure of TPP leads to vacuum in trade policy	Primary	High	High	High

Source - HSC

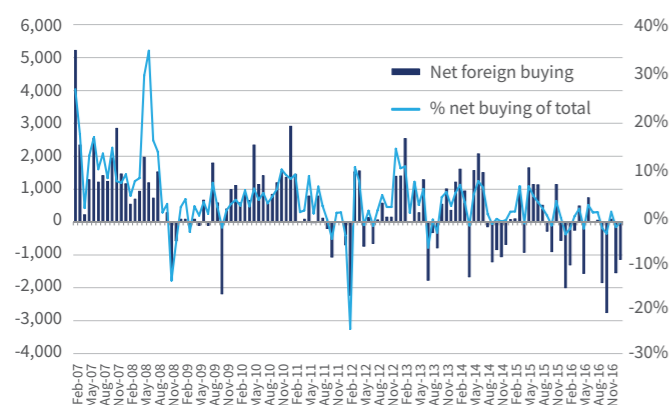
Foreigners were significant net sellers in 2016. We look for better times in 2017

Foreign net buying of equities (FY2007-2016)

	HSX	HNX	Total	Total in US\$mn
FY2007	22,875	2,865	25,740	1,225.71
FY2008	5,827	554	6,381	303.86
FY2009	3,177	370	3,546	168.87
FY2010	15,367	823	16,191	770.98
FY2011	1,263	642	1,905	90.69
FY2012	3,321	1,083	4,404	209.71
FY2013	5,502	1,304	6,806	324.10
FY2014	2,155	877	3,031	144.35
FY2015	2,095	788	2,883	137.28
FY2016	(8,997)	959	(8,038)	(354.08)

Source - HSX; HNX

HSX Net foreign buying vs net buying as % off total



Source - HSX

First time foreigners in Vietnam have been net sellers for a whole year.

Foreign investors sold a record US\$354.08 worth of Vietnamese equities in 2016. In fact, it's even the first year there have been net sellers since we started keeping the records. The net selling all occurred on the HSX and was confined to the net selling of a handful of blue chips notably VNM. Some of the net selling pressure came from the two ETFs which have seen a drop in AUM over the period in question. However it was broader than that.

- **Foreigners have been taking money out of frontier and emerging markets in general** – as is well known there has been a retreat out of emerging and frontier markets in general. This comes down to currency risk apparently. The better the US\$ does against all comers the more risky emerging and frontier assets look. This is not even about country risk – it is bigger than that.

It reflects the gap between where the US economy is right now vs. the rest of the world. With the perception that the gap is widest between the US economy and emerging and frontier markets, and that it's the currencies that will take the hit. True or not that's the perception.

- **TPP and Trump have also soured investors slightly on the Vietnam story.** The TPP theme has been inextricably linked to the Vietnam story for several years. The belief was that TPP was like adding a turbo to the GDP engine, and therefore it certainly brought some incoming investors into Vietnamese equities. At the heart of this is an export trade story. And now with the apparent failure of TPP and the election of President Trump this story has a cloud hanging over it. It's perhaps no coincidence that foreigners have been net sellers in four of the last five months – including a record monthly amount in September 2016.
- **Our base case is that after such a massive sell-off we sense foreigners are now heavily underweight in Vietnam.** In contrast to some other regional markets, the currency hasn't moved much and therefore fears of being caught in a weakening currency have not come to fruition. And are unlikely to, given the tight grip the SBV has been keeping on currency management. Hence we argue that given the right opportunities, some or the entire outflow will come back in 2017.

Market reform will be a major 2017 theme

Equity market reform - possible timeline

Done in 2016

- FOL access lifted for 9 stocks
- Auction of partial government stakes in some large cap companies in VNM
- Possible discussion of FOL reform for banking shares
- Listing of equitised former SOEs - Habeco, Sabeco, Vietnam Airlines and ACV

Expected within 2017

- Possible discussion of FOL reform for banking shares. Another 5-10 companies to lift FOL
- Possible completion of HCMC & HN Exchange merger
- Derivatives markets launch offering some VN30 index and bond future products
- Covered warrants - options for individual stocks
- Multi account same day buy sell trading offered
- IPOs of Mobifone; Petrolimex;
- More equitised former SOEs may list - Vinatex; VEAM. Also 5-6 private banks. Along with Novaland and Vietjet Air.
- Auction of partial government stakes in some large cap companies in Sabeco; Habeco; FPT Telecom; more VNM

Expected within 2018

- Possible launch of currency hedging products
- Possible NVDR launch
- More SOE IPO auctions and listings

Expected within 2019

- Inclusion in MSCI emerging market index may be considered assuming market access issue tackled
- More SOE IPO auctions and listings

Source - HSC

Given the advent of derivatives and covered products, with intraday trading at some stage, the common theme for 2017 might be "deepening the market". The listing of many large SOEs and some private sector companies will ensure there are also more alternatives on offer.

All of this looks to be part of a serious and sustained effort to win the emerging market status for Vietnam in a few years. The end game here is clear: MSCI Emerging market status perhaps in 2-3 years once the current program of reform has taken root. The main issue was always market depth in terms of daily liquidity and choices. And therefore we note that the current batch of reforms aims to tackle those shortcomings.

Several major changes coming this year as the authorities have set their stall out for market reform in 2017:

- A derivatives market with one or two products including a VN30 index futures contract and a bond index futures will be launched in Q2 2017;
- Covered warrants on individual stocks will be launched later in the year;
- Intraday trading to be allowed also. However, the start date for this is still unclear;
- The timeline for a merger between the HSX and HNX will be announced fairly soon;
- FOL opening will continue at a fairly leisurely pace in 2017.

We have a very high level of confidence for the first two reforms – as preparations for both are advanced.

Equitisation program will be front and centre in 2017

No.	Company	Owner	Chartered Capital	Outstanding Share
1	Ben Thanh Group	HCMC People's Committee	1,936,000,000,000	
2	Saigon Real Estate (Resco)			
3	Saigon Water Co (Sawaco)	HCMC People's Committee		
4	PVPower	PVN	13,107,000,000,000	
5	Genco 3	EVN	12,600,000,000,000	
6	Nam Cuong (Hanoi Real Estate Group)			
7	PV Oil	PVN	10,884,251,000,000	
8	Kidos Ice Cream			
9	Hai Ha Kotobuki Co. Ltd	Vinataba		
10	Vinaapaco (Apatit)	Vinachem	1,500,000,000,000	150,000,000
11	Saigon Trading Group (Satra)	HCMC People's Committee		
12	Saigon Transportation Mechancial Co (SAMCO)	HCMC People's Committee		
13	General Saigon Agriculture Co (SAGRI)	HCMC People's Committee		
14	Saigon Tourist	HCMC People's Committee	5,300,000,000,000	
15	4 Big C grocery stores in Hanoi area	Hanoi Tourist (GTC Thang Long Co Ltd)		
16	Capital Tower (Hanoi)	Hanoi Tourist (GTC Thang Long Co Ltd)		
17	Hilton Hotel Hanoi (Intercontinental Hotel)	Hanoi Tourist (GTC Thang Long Co Ltd)		
18	Pan Horizon Hanoi	Hanoi Tourist (GTC Thang Long Co Ltd)		
19	Hanoitourist Taxi	Hanoi Tourist (GTC Thang Long Co Ltd)		
20	Thang Long GTC Travel	Hanoi Tourist (GTC Thang Long Co Ltd)		
21	Capital Tourist Co	Hanoi Tourist (GTC Thang Long Co Ltd)		
22	Song Da Group	Ministry of Construction		
23	Housing and Urban Development Co (HUD - OTC)	Ministry of Construction		
24	Vietnam Water and Environment Investment Co JSC (Viwaseen)	Ministry of Construction		
25	Vietnam Urban & Industrial Zone Development Investment Co (IDICO)	Ministry of Construction		
26	FICO Co JSC	Ministry of Construction		
27	Vientam Cement Industry Co (VICEM)	Ministry of Construction		
28	Vietnam Construction and Import-Export JSC (Vinaconex)	Ministry of Construction		
29	Construciton Machinery Co (COMA)	Ministry of Construction		
30	Vinalines	Ministry Transportation		
31	Mobifone	Ministry of Post and Telecommunication		
32	Vinaphone	Ministry of Post and Telecommunication		
33	Viettel	Ministry of Defence		
34	Vietnam Northern Food Corporation (Vinafood 1)	MinistryofAgriculture&Rural Development	5,520,334,853,938	552,033,485
35	Vina Railways (VNR)	MinistryofAgriculture&Rural Development		
36	Vietnam Rubber Group (VRG)	MinistryofAgriculture&Rural Development		
37	Saigon New Port Co	HFIC		
38	Voluntary Youth Agricultural Development Co (ADECO)	HFIC		
39	Ho Chi Minh House Trade Management (HMTTC)	HFIC		
40	Ho Chi Minh Ferry Bridge Construction JSC	HFIC		
41	Saigon Construction Quality Control JSC (SCQC)	HFIC		

Source – various media; HSC. List is incomplete. Highlighted names are the interesting ones

Risks & Opportunities for 2017

Major risks for the market & economy in 2017

Risks	Impact on Vietnam's economy & stock market
Debt crisis or currency run in China	Likely spillover effect on VND from Chinese currency weakening Impact on trade flows within the region Further downside risk for many commodities
Acceleration in inflation above 6%	Pressure to slow M2 growth further Interest rates and bond yields jump Equities correct as money switches to bank deposits
Disruption to status quo in trade policy	Uncertainty as to US-China trade policy would directly affect Vietnamese exports Move towards protectionism would affect global trade; currency; FDI and equity flows

Source - HSC

The risks all look external while the opportunities are being created by domestic reform – not a bad position to be in really. Legacy problems such as the fiscal deficit and bank restructuring are top of the government's agenda. And we sense that they are being tackled in a very deliberate fashion. The break with the past comes from the following:

- **There is a consensus to tackle problems rather than let them fester;** hence the equitisation program was sped up quite quickly since mid Q3. Talks followed action within the space of a few months, which is a lot different to the pace of change in the past. We also sense the same thing will happen to bank restructuring in 2017;

- **Issues like the fiscal deficit and NPLs are serious enough to spur the need for action** – of course with some of these issues having been around for a year there is arguably little time to waste. And therefore the sense of urgency is coming from a need to tackle these issues before they affect economic growth rates;
- **Growing confidence in the government's ability to match words with deeds** – execution is every- thing. And the actions of the last 6 months suggest that the rhetoric of the new cabinet is being backed up by concrete actions within a fairly short period of time.

Key opportunities for the market & economy in 2017

Opportunities	Impact on Vietnam's economy & stock market
Fiscal pressure is spurring massive acceleration in equitisation	Plan to sell around US\$16-20 billion worth of assets by 2020 Some from IPOs of SOEs Some from sellings down stakes in existing listed companies where state has a big stake
Needle moves faster on stock market access reform	Derivatives coming in Q2 Then covered warrants in individual stocks before year-end Along with intraday trading at some point
General mood is more optimistic as government policy direction a lot clearer	Problems are being tackled in a very deliberate manner More technocrats in decision making positions Legacy problems such as fiscal deficit and NPLs being tackled

Source - HSC

External risks should be ignored however issues such as the high level of Chinese debt or worries over future US trade policy need to be watched carefully.

- **Chinese debt levels have risen steadily since Q2 as the price of spurring growth in 2016.** There have been numerous warnings from international and even local voices that the Chinese debt situation is not sustainable. Add to that a murky informal banking system, and it appears China is facing an NPL crisis at some point in the next 6-18 months;
- **Steady outflows from Chinese Yuan are an added concern** – while reserve levels remain at very high levels, the steady flow of money from the Chinese Yuan into foreign currency both onshore and offshore is another major concern. The recent imposition of stricter controls is testimony to growing official concern;

- **Future US Trade policy remains the big unknown.** While Donald Trump has fleshed out some of his extreme measures and made sufficient appointments for observers to guess what comes next; the future direction of US trade policy remains a big uncertainty. Protectionist instincts plus a tendency to blame China for the loss of manufacturing jobs in the US over the past 20 years suggest that this might be a rocky relationship. On top of that the added complication of the inter-linkages with the Vietnamese economy as China is the biggest source of imports, and the US is the biggest source of exports for Vietnam. Hence uncertainty in trade policies is the biggest risk we see over the next 12 months.



**PROCESS EFFICIENCY
EMPOWERS OPPORTUNITIES**

INFORMATION TECHNOLOGY DEPARTMENT

Introduction

IT systems are crucial to the performance of firms within the financial services industry given the growth of today's IoT and Big Data landscape. As competitive as the retail industry can be, HSC has strategically built its core competencies by leveraging on its technological capabilities to provide unique and differentiated user experience through HSC's integrated trading platform. The IT architecture is continually being redefined and redesigned to champion efficient and effective business processes for HSC.

Enterprise activities within this function center upon two focal areas, i.e. security management and IT services management. Security management relates to the IT governance and protection of sensitive data and information while IT services management involves the development of HSC's core trading system and the IT maintenance of the various business functionalities across HSC. The division also offers support in the execution of HSC's contingency plans such that the firm closely aligns with the Risk Management Department in managing business continuity activities.

Enhancement of IT systems in 2016

HSC's Trading Platform

The IT function continuously seeks technological improvements within HSC's core trading system that is made accessible via application, website and mobile. Brokerage clients enjoy the convenience and ease of market access with the multiple trading channels provided by HSC. HSC Trade Pro – a trading application on iPad; HSC Trade on iOS – an application on the idea of "Apple style" for iPhone users. In 2016, we took the next step of enhancing user experience with an improved web-based trading platform - HSC iTrade. The newly revamped trading platform provides the investors the limitless experience which integrated advanced features developed base on the insightful market information channel. The secure, instant and flexible placing order function combines with Technical and Fundamental Analysis tools that together assist investors in making decision to timely maximize their profits.

With HSC iTrade, investors are able to:

- Conveniently trade on multiple accounts at the same time
- Analyze the information and decide to trade easily
- Easily track real-time market information
- Manage portfolio, track the transaction history, reports.

Data Integrity In the Face of New Threats

IT Governance Project

Formally introduced a few years back, the IT Governance Project is still ongoing and seeks to enhance the robustness of the HSC's IT framework by improving the maturity levels of the IT systems to preserve data integrity within HSC. This is done through a multi-phase initiative, e.g. procurement of external auditors and Disaster Recovery Site (DRS). By far, HSC is one of the very few securities firm to have its own DR site that is vital to ensure the continuity of its business operations and protect the company's core assets.

Priority for Cyber Security

Concerns for cyber security are becoming more and more alarming by the day. HSC has taken several steps to curb potential cyber security attacks by upgrading its systems to ISO 27001:2013 standards. HSC's security infrastructure was strengthened with penetration tests, checkpoints for monthly vulnerability reports and the adoption of key security enhancement tools. Information Protection was rigidly enforced across all HSC's operations to uphold solid data integrity. In addition, coordination between the IT function and the other functions motivated development of the Authorization Matrix which intricately designs the delegation of authority and information access across functions in HSC. All in all, cyber security remains the focal point in the strategy implementation of the IT division of the coming year.

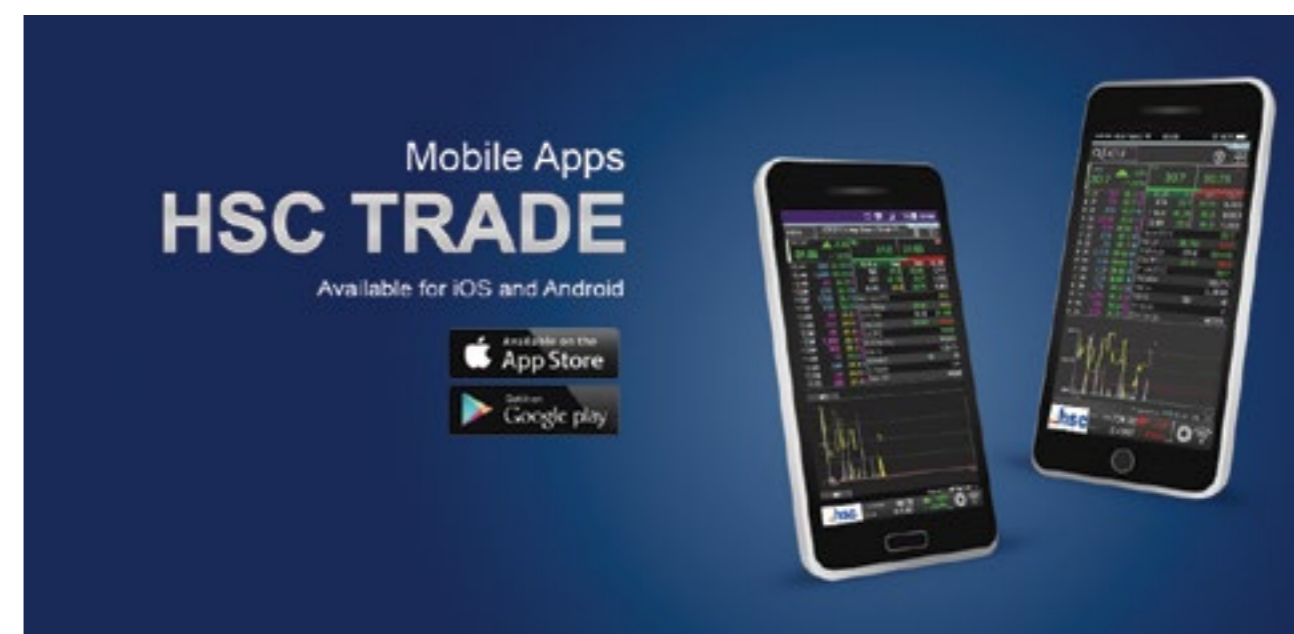
Strategy for 2017

The focus of this function lies in the technological development of new derivative products to promote superior market-making and hedging opportunities. The IT function also extended its preparations to implement the two new derivatives products, Index Futures and Covered Warrants, within HSC. The necessary IT setups and procedures to integrate the specifications and requirements of the new products into HSC's central system will take approximately twelve months of preparation with its completion expected to take place by mid-2017. The IT function also looks to improve the centralization of the risk management activities to manage material risks more effectively.

Apart from that, the function also aims for the digitalization of all services to be made available on the client portal. Service digitalization synergizes the

execution of the different business functionalities including cash management, account management, investors' education and product distribution. Should the digitalization of all services be realized, HSC can expect major cost reductions in the years.

The enhancement of IT systems through the extensive application of technology allowed HSC to optimize cost-cuts with the delivery of automated systems that put forth better customer service with high standards of service offered to all clients. With this, HSC is able to make solid investments for technological advancements and industry know-hows to spur business product developments and elevate operational efficiency that can be sustained more systematically. This reaffirms the strategy of HSC to be at forefront of technological capabilities in the financial services sector in Vietnam.



SECURITIES SERVICES DEPARTMENT

Improved functionality in 2016

Following improved IT systems, quality of key securities services were enhanced across HSC's revamped trading platform. These services may include account management services, OTC and trading transaction services, custodial services and tax services. HSC's trading channels were further developed with added functionalities, providing more convenient, centralized, informative and responsive financial services that substantially add value to clients' trading performance, thereby, heightening HSC's level of customer service to a much higher degree.

New Procurement of Services

The department is in the process of introducing new services to cater for the upcoming products, Index Futures and Covered Warrants that will soon be launched in the Vietnam securities market. One such service is the offering of new clearing services and the Securities Services Department plans to immediately digitalize the new services into the central system to give HSC a competitive edge over its competitors. Additionally, HSC could expand its securities market presence to include mutual funds. Considering the very few number of mutual fund products available in the Vietnamese market, currently both domestic and foreign clients have limited alternatives to have exposure in Vietnamese mutual funds. As such, HSC may look into distributing mutual fund products and services in future to gain the upper hand of securing a lead in the market share.

Standardization of Services

The standardization of all financial services at HSC offers great potential for improved operational efficiency and corporate governance. The standardization process extends to incorporate all functional activities, particularly in providing products and reports to clients. We adopt the ISO 20000 that emulates best practices within the ITIL framework in the IT Service Management System and ISO 27001 in the Security Management System. The department coordinated with the IT and Private Client Division to support the introduction of HSC's revamped web-based trading platform across the mobile and application channels. The department has also partnered with VSD to achieve standardization and automation of all day-to-day business operations and procedures in compliance with ISO 15022. This standardization process speeds up business operations and procedures, limits risk exposures and promotes operational efficiency.

Implementation of Best Practices

The implementation of international best practices remains one of the core objectives of the Securities Services Department. The function continues to regularly upgrade services involved in front and back office operations at HSC in adherence to local laws and regulations such as account management, custodian and cash transfer services. New products have also been introduced. Confidentiality and integrity of services are governed through a structured framework. Standardization of business processes and procedures has advanced throughout the company to contribute improved efficiency, transparency and safety of all business operations as outlined in the BPI project.

Strategy for 2017

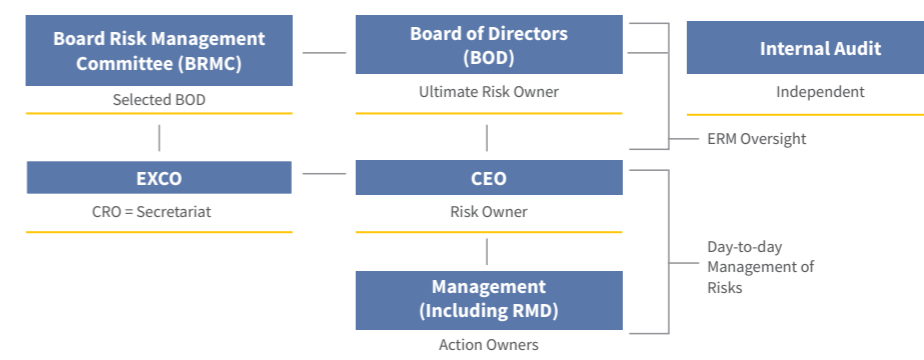
Ahead of 2017, the Security Services Function plans to expand into two dimensions, one being the expansion of the derivatives portfolio, the other being the development of market-making activities. The division presents a strong market vision to be pioneers within various market areas (e.g. digitalized services, ETFs, index futures, covered warrants etc.).

RISK MANAGEMENT DEPARTMENT

Introduction

In 2016, the Risk Management Department brought an amendment to its internal structure with the consolidation of its Executive Committee (EXCO) and reporting lines. The roles of Investment Committee (IC) and Risk Management Executive Committee (RMEC) were centralized under one board of EXCO. The EXCO's term of reference and the guideline for the delegation of authority alongside with its appendices were ironed out in a detailed manner to ensure that risks are more effectively managed throughout HSC.

The new Risk Oversight Structure can be seen below



The Risk Management Department is principally governed through the Enterprise Risk Management (ERM) Manual. Since its establishment in 2012, the ERM Manual has evolved to be an integral part of HSC in achieving effective risk management. The ERM lays the foundation for the documentation process of other business functions within HSC.

To date, the ERM framework is in full compliance with the COSO standards of internal control. Subsequently, the Risk Management Department is further divided into two separate units namely, Internal Control & Compliance and Legal.

Internal Control & Compliance Unit

This unit supports HSC by committing to the following key objectives:

- To enhance the quality of oversight process of HSC activities throughout multiple departments by adding value, working paper or through audit program;
- To identify, source and assess various company risks;
- To ensure that critical risks are effectively managed and controlled with policies that highlight clarity in terms of responsibilities, authorities and accountabilities.

Legal Unit

This unit forms a part of the 2nd Line of Risk Defense to achieve the core objectives set out in Risk Management Department and HSC through the following procedures:

- To identify potential legal and regulatory issues on a timely manner;
- To develop a profile of potential legal risks by quickly and efficiently assessing the identified risk issues;
- To avoid and mitigate legal risks through proactive initiatives such as compliance programs and dialogue with government officials who are responsible for promulgation and/or law and regulatory enforcements;
- To manage legal risks as a means to minimize the risk impact onto the company when they materialize.

The risk culture at HSC fortifies its risk infrastructure by upholding integrity, professionalism and ethics embedded in policy statements, oral and written communications, decision-making, general behaviors and day-to-day operations. We highly emphasize on the cultivation of robust risk culture across the ERM Framework to ensure continued effectiveness of HSC's ERM. The risk culture is at the heart of how risk shall be managed across HSC. In relation, the division's modus operandi is to be objective and impartial when embracing the risk management framework in accordance to HSC's Code of Conduct.

2016 Risk Management Initiatives

The risk management initiatives that were pioneered in 2016 are as follows:

Risk Policies & Procedures

Project / Initiative	Description
Conducted Risk Survey	The Risk Survey involves a systematic, quantified risk assessment that considers HSC's exposure to both existing and potential risks. The risk analysis provides measures for HSC to mitigate the risks surrounding HSC's various business functionalities more effectively through the enhancement of the Risk Management Framework. This minimizes the risk impact towards HSC's business operations.
Completed and Updated Risk Profile	The Risk Profile is crucial to assess and review associated portfolio risks to enhance HSC's internal controls. Legacy and Ongoing Risks are periodically monitored and updated to ensure that all relevant risks are accounted for.
Identified Top Ten Risks	Ten key risk categories were identified in order to better manage the residual risk held by old portfolios better. This involves documenting the aspects of strategic, financial and operational risks.
Updated / Developed New Risk Policies	<ul style="list-style-type: none"> Updated the previous Limits of Authority into a comprehensive Delegation of Authority Policy which covered both financial and non-financial limit of authority Updated the Executive Committee's (EXCO) new Terms of Reference (following the consolidation of the Investment Committee and the Risk Management Executive Committee into EXCO) Margin Lending Risk Management and Escalation Policy to control risk exposures in margin lending operations Incentive Scheme and Payment Process Policy to encourage and reward commercial mindset of employees Purchasing Policy to improve the procurement process and offer guarantees Budget Process Policy to limit financial risks in order to sustain HSC's capital, liquidity and funding Bad Debt and Provisioning Policy to combat the new risks undertaken with the growth in HSC's margin lending business, i.e. reduce risk of incurring bad debts
Introduced three new Risk Reporting tools	<ul style="list-style-type: none"> HSC ERM Quarterly Newsletter Ongoing Quarterly Risk Dashboard / Heat Map On-going Monthly Risk Register

Risk Training

Project / Initiative	Description
Conducted Anti-Money Laundering (AML) Training at HCMC and Hanoi offices	AML training sessions strengthen the risk culture across HSC by instilling knowledge of current AML policies among its employees and promoting the practice of such risk policies, thereby, bringing improved corporate governance.
Conducted face-to-face training sessions to introduce the new risk management policies at every branch and transaction office	Face-to-face training sessions support the implementation of the newly introduced risk policies with employees being the predominant factor influencing the risk culture at HSC. Improved risk culture propels internal controls to higher standards, especially in the day-to-day operations.

Conducted Risk Awareness Training to selected and relevant staff	Risk Awareness Training reinforces the risk culture at HSC as it sets the benchmark of the risk appetite (i.e. degree of risk that the management is prepared and willing to accept) and the risk tolerance (i.e. variance of risk that is acceptable) in line with the pursuit of business objectives.
Conducted Risk Management on Client's Transaction training at HCMC and Hanoi offices	The training ensures that employees are well-versed about the risk parameters and risk environment that revolve around HSC's products in order to protect the interests of the clients .

Risk Review / Control

Project / Initiative	Description
Risk Assessment	Risks and strengths of new or existing products (e.g., Index Futures, Covered Warrants) are consistently reviewed and assessed .
Risk Evaluation	Unbiased, independent evaluations are given to validate the business prospects of key products.
Risk Coordination	Risk Management Department works closely with relevant departments and stakeholders (i.e. Private Client Department, Institutional Sales Department, Corporate Finance Division) to ensure that risks are collected, prioritized and mitigated.

Some of the reported Initiatives in the 2015 Annual Report were re-organized during 2016 in order to further enhance the risk management practices at HSC. We continue to monitor the newly introduced policies mentioned above. The team will immediately address any findings or deviations found and record them in the on-going Monthly Risk Register that is regularly circulated to the relevant Business Functions and to the EXCO members.

Risk Reporting Tools

Monthly Risk Register

The Risk Register is one of the leading tools used to manage current and potential risks. The risk register assists risk owners in identifying, monitoring and resolving ongoing and residual risks. Through this, the risk report containing individual risks, current responses, residual risk and required risk responses are communicated to all risk owners (departmental levels), EXCO and the Board on a monthly basis. This bolsters the process of risk management to drive strong corporate governance. We vigorously strive to minimize the impact of certain material risks such as Credit Risk on Margin Lending, Counterparty Risk and Equity Risk to bring maximum shareholders' return. These risks are managed with regular internal control and compliance audits done to sustain an effective and efficient control environment within HSC.

Quarterly Risk Awareness Reports

Risk Awareness Reports channels more effective communication with regards to key risk issues that pose greater threats to risk owners. This risk assessment is represented through the Risk Dashboard or Risk Heat Map that prioritizes the monitoring of risks that has hit significant levels, especially when the Risk Register contains too many risks. This allows HSC to optimize the use of capital and human resources to effectively combat risks. Risk Awareness Reports are delivered quarterly in the form of ERM newsletters.

Weekly Audit Reports

Internal Control and Compliance Audit Reports are generated for both Margin Lending and Principal Investment that carry risks that materially impact HSC's business. Audit reports are forwarded to the EXCO on a weekly basis and to the Board Risk Management Committee (BRMC) on "as need" basis in which the auditing process is accentuated by the objectivity and independence of a third-party evaluation.

Policy Focus

With stringent supervision and inspection carried out by the Risk Management Department, HSC continues to be relentless in practice of the following policies in the daily operations and procedures at HSC. These policies are paramount to creating a solid and robust risk management framework.

AML Policy

HSC's AML Policy closely follows AML guidelines set by the State Bank of Vietnam. This policy streamlines the reporting requirements for KYC procedures within HSC in which retail and institutional clients of HSC are required to disclose certain financial information for KYC checks. We rigidly enforce our AML policy with the objective of affirming that our clients are only engaged in legal business transactions. AML policy significantly contributes to a solid and robust risk management framework as we work towards controlling the occurrence of untoward events or circumstances.

Personal Account Dealing Policy

Personal Account Dealing Policy ensures that fairness and integrity for market participants is preserved at all times. In compliance with local laws, we incorporate The Personal Account Dealing and Insider Trading Policies into HSC's Code of Conduct, carrying a clear statement that HSC's clients' interests should take precedence over personal interests. Disclosures of personal trading are mandatory and closely monitored.

Fraud & Anti-Bribery Policy

Fraud & Anti-Bribery Policy covers the policies and procedures taken by HSC to enforce employee compliance, and detect and prevent HSC employees from taking advantage of their fiduciary responsibilities to clients. This policy imposes the practice of proper and accurate accounting disclosures administered through HSC's internal control system.

Insider Trading Policy

Insider Trading Policy promotes the ethical conduct that forbids HSC employees to divulge any sensitive information to a third party. We are in strict compliance with Article 9 of the Law on Securities "to protect the rights of investors in a free market". This article prohibits the following:

- Using inside information to purchase or sell securities for that him or herself or for a third party;
- Disclosing or giving inside information to another person;
- Advising another person to purchase or sell securities on the basis of inside information.

Evolving Regulations

Several new regulations were introduced in 2016 whereby HSC fully conformed to these regulatory requirements listed below:

- Circular No. 11/2016/TT-BTC providing guidelines on the Derivatives and the Derivatives Market (issued in 2016);
- Circular No. 23/2017/TT-BTC amending the Circular No. 11/2016/TT-BTC;
- Decree 86/2016/ND-CP establishing requirements for investment and trading in securities;
- Circular 07/2016/TT-BTC amending and supplementing the Circular 210/2012/TT-BTC dated 18/01/2016 on the establishment and operation of securities companies;
- Circular 203/2015/TT-BTC to replace Circular 74/2011/TT-BTC providing guidelines on securities trading, effected from date 01 Jul 2016.

Moreover, HSC is in compliance with the regulations outlined in the Decision 87/2017/QD-UBCK dated 25/01/2017 on Margin Lending. HSC expects the establishment and operation for the two new products, Index Futures and Covered Warrants to come to fruition in the second half of 2017. As such, HSC anticipates for the announcement of the detailed Implementation Guidelines for these products and has made adequate preparations to adopt these regulations.

Strategy for 2017

HSC is both a pioneer and leader in terms of risk management within the financial services industry in Vietnam. Looking ahead in 2017, the Risk Management Department is well-positioned to continue its leadership in risk management practices. Succeeding this, the division will emphasize the adoption of Best Practices for Risk Management to maintain high quality standards of work practices for greater corporate governance.

Meanwhile, shareholders can look forward to the establishment and completion of the Disaster Recovery Plan. The Disaster Recovery Plan is pivotal to safeguard the business continuity of HSC's business operations though at a limited scale. The Disaster Recovery Plan is currently in the midst of its developmental phase. This strategic initiative will significantly contribute to a more robust risk management framework for HSC in time to come.

While HSC is constantly improving on its risk mitigation measures, it is important for HSC to note that risk management is not the task of one dedicated department or function, but lies in the responsibility of every individual within HSC.

INTERNAL AUDIT DEPARTMENT

HSC's Board of Directors and the Board Audit Committee understand the significance of Internal Audit's role in ensuring consistent adherence to policies and practices. Subsequently the management would take appropriate actions to strengthen the control environment. IA function supports the Board by carrying out independent review of HSC's systems and ensure that internal controls for daily business operations are adequately maintained in order to mitigate any identified risks. In line with the establishment of the IA department in 2014, KPMG was appointed as HSC's internal audit partner. KPMG assisted HSC with the provision of internal audit services along with the establishment of IA function. The provision of co-sourced IA services from KPMG lasted for a 3 year period up to 31 Dec 2016.

HSC's Head of the Internal Audit Department reports directly to the Board Audit Committee, and to the CEO on administrative aspect, thereby enabling the function to have sufficient standing and allowing internal auditors to execute their duties with objectivity and independence. The Board of Directors fully commits to strengthen the Internal Audit Department and has therefore selectively recruited specialist internal auditors who have rich experiences in the financial services sector. This can be evidenced by the recent appointment of Mr. Dang Thanh Bach to the position of Director, Head of Internal Audit. Mr. Dang joined HSC having 18 years of experience as he held several senior local and regional roles in external audit, risk management, compliance, internal control and internal audit across Asia, including his most recent

role as Head of Internal Audit for a major international financial services company based in Vietnam.

In just its fourth year of operations, the Internal Audit Department has taken significant steps in 2016 to help strengthen HSC's internal control, risk management and governance systems and processes. The 2016 Internal Audit Plan included the review of several materials and high risk processes of projects that were carried forward and new projects such as Accounting and Financial Reporting, Treasury and Investment review, Institutional Brokerage and Private Client Brokerage reviews, Human Resource Management review and other projects. Some of these initiatives were undertaken with our outsourced Internal Audit Partner, KPMG, and have significantly contributed to the sustainability of HSC.

HSC has garnered the success in conducting reviews of some material processes without reliance on external support. With the end of the 3-year contract with KPMG as HSC's outsourced auditor in 2016, the new Head of Internal Audit and other members are ready to conduct audit reviews that are 100% in-house (except for IT audit review) starting from 2017. This evidently demonstrates the developing maturity of our Internal Audit Department. This development could not have been accomplished without the support of senior management and the cooperation of divisional stakeholders.

2016 Internal Audit Projects

Item #	Internal Audit Review	Audit team
<i>Closed projects</i>		
1	Anti-money laundering review report in 2016	HSC
2	Institutional brokerage (1 st time review)	HSC & KPMG
3	IT Internal Audit Follow-up (1 st time review)	KPMG
4	Treasury management / Proprietary Investment (1 st time review)	HSC & KPMG
5	Accounting and Financial reporting (1 st time review)	HSC & KPMG
6	Private brokerage Internal Audit Follow-up (1 st time review)	HSC
<i>In-progress projects carried forwarded to 2017</i>		
7	Margin lending Internal Audit Follow-up (1 st time review)	HSC
8	HR Management (1 st time review)	HSC
9	Private Brokerage Review (2 nd review)	HSC
10	Institutional brokerage Internal Audit Follow-up (1 st time review)	HSC

The reviews undertaken by Internal Audit in 2016, an independent evaluation are made with respect to:

- The effectiveness and efficiency of internal control, risk management and governance systems in the context of both current and potential future risks;
- The reliability, effectiveness and integrity of management information systems and processes (including relevance, accuracy, completeness, availability, confidentiality and comprehensiveness of data);
- Monitoring of compliance with laws and regulations, including any requirements from regulators; and
- The safeguarding of HSC's assets.

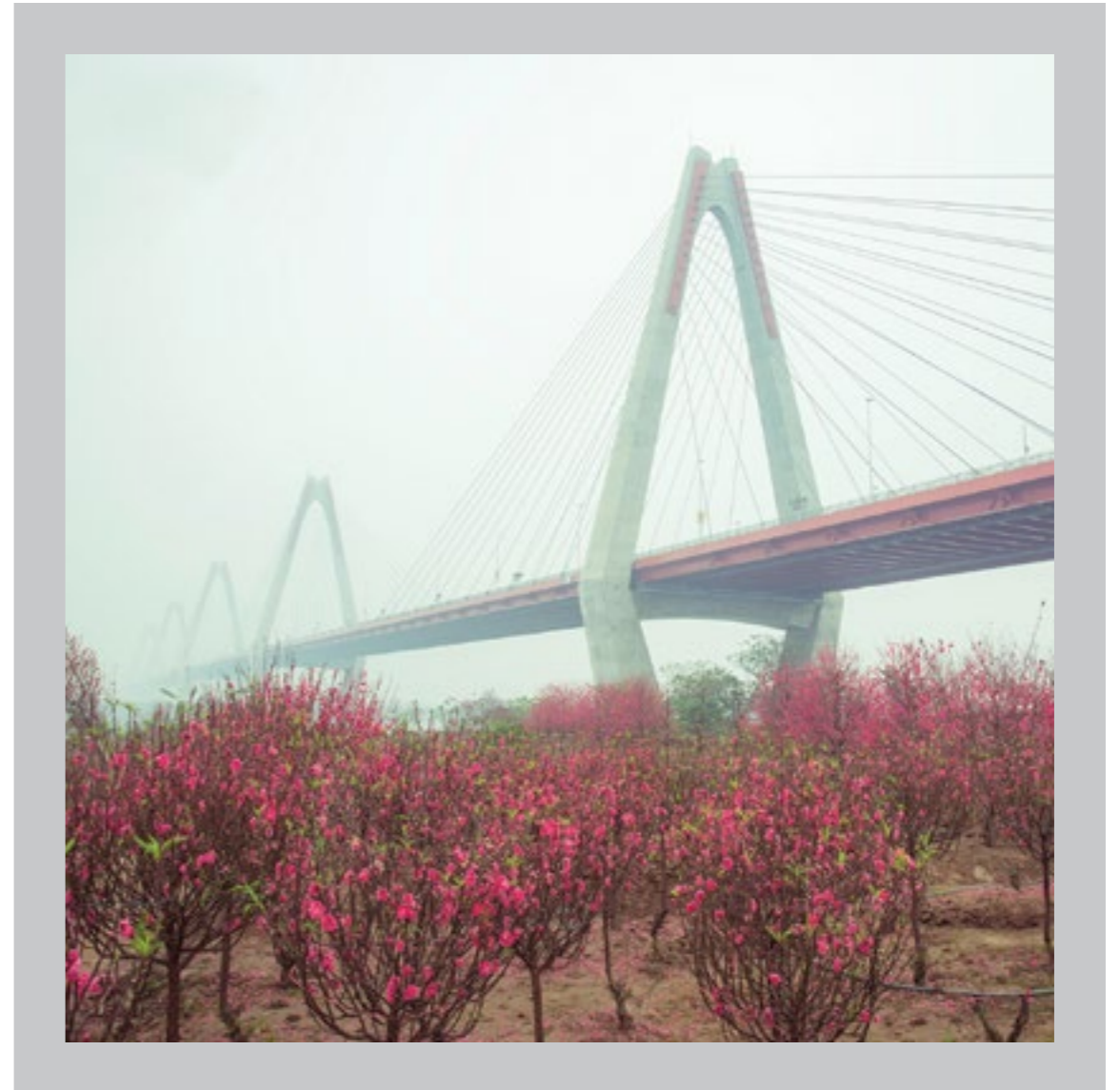
For 2016, the Internal Audit Department noted that whilst controls are in place to mitigate risks, formal policies and procedures have yet to be developed for certain key processes. The documentation of these policies and procedures have been earmarked for improvement in 2017.

HSC's 2017 Internal Audit Plan

HSC's 2017 Internal Audit Plan is a risk based approach that was carefully constructed with the aim of focusing on key risk areas that impact HSC's business. The 2017 Plan is designed to ultimately enhance the company's control environment and corporate governance as well as to reduce and manage risk effectively, thereby, adding value to our shareholders. HSC's 2017 Internal Audit Plan encompasses the following:

Item #	Internal Audit Review	Audit team
<i>Carried forward projects from 2016</i>		
1	HR Management (1 st time review)	HSC
2	Private Brokerage Review (2 nd review)	HSC
3	Margin lending Internal Audit Follow-up (1 st time review)	HSC
4	Institutional brokerage Internal Audit Follow-up (1 st time review)	HSC
<i>New projects in 2017</i>		
5	Anti-money laundering review (AML)	HSC
6	Accounting and Financial reporting Internal Audit Follow-up	HSC
7	Treasury management / Proprietary Investment Internal Audit Follow-up	HSC
8	Margin lending Internal Audit (2 nd review)	HSC
9	IT & Security Management (2 nd review)	HSC & KPMG

Within the 2017 Internal Audit Plan, cybersecurity and AML are among the pivotal focus areas of the Board and management in combating financial crimes. AML is annually reviewed by the internal audit team in which AML Review Report is generated in accordance with Circular 31/2014/TT-NHNN and Circular 35/2013/TT-NHNN about regulations of AML. HSC Cybersecurity review plan will be outsourced and reviewed by HSC's internal audit partner, KPMG, in 2017. It forms a part of a larger-scaled project called IT and security management audit review. Weaknesses in internal control system have been identified and internal auditors have recommended solutions to solve those weaknesses. These initiatives are taken in response with some key audit findings which included vulnerabilities in client account management process, cash management process, limitation of authorities, user access rights in IT system and client due diligence process.



**STRONG GOVERNANCE
SUPPORTS OPPORTUNITIES**

BOARD OF DIRECTORS



Mr. DO HUNG VIET

- Chairman
- Independent member of the Board of Directors

Date of 1 st appointment:	30 June 2007
Date of 1 st reappointment:	08 April 2011
Date of 2 nd reappointment:	21 April 2016
Duration:	9 years 6 months
Age:	62 years old
Education level:	Bachelor of Economics – Faculty of Banking
Employment history:	
2011 – present	Chairman of the Board of Directors of HSC
2010 – present	Vice Chairman of Vietnam Association of Securities Business (VASB)
2007 – 2011	Vice Chairman of the Board of Directors of HSC
2006 – 2010	Member of the Supervisory Board of VASB
2003 – 2006	Director of HSC
1998 – 2002	Fund Manager of HCMC Investment Fund for Urban Development (HIFU)
Present positions:	
At listed companies:	Chairman of the Board of Directors of HSC
At other companies:	None



Mr. LE ANH MINH

- Vice chairman
- Non-executive member of the Board of Directors

Date of 1 st appointment:	30 June 2007
Date of 1 st reappointment:	08 April 2011
Date of 2 nd reappointment:	21 April 2016
Duration:	9 years 6 months
Age:	47 years old
Education level:	Master of Business Administration
Employment history:	
2010 – present	CEO of Dragon Capital Group (DCG)
2010 – present	Deputy CEO cum CFO CEO of Dragon Capital Group (DCG)
2002 – 2010	Director of Dragon Capital Group (DCG)
1998 – 2002	CFO of Coca Cola South East Asia Inc.
1993 – 1996	Deputy Managing Director of Dai Nam Commercial J.S Bank
1991 – 1993	Project Director of Peregrine Vietnam Company
Present positions:	
At listed companies:	<ul style="list-style-type: none"> • Vice chairman of the Board of Directors of HSC • Member of the Board of Directors of Vietnam Dairy Products JSC (Vinamilk)
At other companies:	CEO of Dragon Capital Group (DCG)



Mr. LE THANG CAN

- Member
- Non-executive member of the Board of Directors

Date of 1 st appointment:	16 April 2015
Date of 1 st reappointment:	21 April 2016
Duration:	1 year
Age:	40 years old
Education level:	Bachelor of Economics
Employment history:	
2/2016 – present	Head of Investment of HCMC Finance and Investment State-owned Corporation (HFIC)
2013 – 02/2016	Deputy Manager of Finance – Accounting of HCMC Finance and Investment State-owned Corporation (HFIC)
2006 – 2013	Finance – Accounting Specialist of HCMC Finance and Investment State-owned Corporation (HFIC)
2004 – 2005	CFO of Viet Huy Ltd. Company
1999 – 2004	Chief Accountant of Ruby Ltd. Company
Present positions:	
At listed companies	Member of the Board of Directors of HSC
At other companies	Head of Investment of HCMC Finance and Investment State-owned



Mr. JOHAN NYVENE

- Member
- Executive member of the Board of Directors

Date of 1 st appointment:	30 June 2007
Date of 1 st reappointment:	08 April 2011
Date of 2 nd reappointment:	21 April 2016
Duration:	9 years 6 months
Age:	51 years old
Education level:	Bachelor of Banking and Finance
Employment history:	
2007 – present	CEO of HSC
2005 – 2007	Branch Manager of HSBC in Hanoi
1998 – 2005	Director of Global Banking at HSBC in HCMC
1990 – 1998	Director of International Banking at Corestates – First Union Bank, Philadelphia, USA
Present positions:	
At listed companies:	CEO of HSC
At other companies:	None



Mr. NGUYEN THANH LIEM

- Vice chairman
- Non-executive member of the Board of Directors

Date of 1 st appointment:	08 April 2011
Date of 1 st reappointment:	21 April 2016
Duration:	5 years 8 months
Age:	58 years old
Education level:	Master of Business Administration
Employment history:	
2010 – present	Deputy Director of HCMC Finance and Investment State-owned Corporation (HFIC)
2007 – 2009	Deputy Director of HCMC Investment and Fund for Urban Development (HIFU)
2006 – 2007	Head of Pricing, Department of Finance
2005 – 2006	Director of Property Evaluation and Auction Center
1994 – 2004	Head of district budget management, Head of Asset, Head of Budget, State Department of Finance
Present positions:	
At listed companies:	Vice chairman of the Board of Directors of HSC
At other companies:	Deputy Director of HCMC Finance and Investment State-owned Corporation (HFIC)



Mr. PHAM NGHIEM XUAN BAC

- Member
- Independent member of the Board of Directors

Date of 1 st appointment:	02 December 2002
Date of 1 st reappointment:	30 June 2007
Date of 2 nd reappointment:	08 April 2011
Date of 3 rd reappointment:	21 April 2016
Duration:	14 years and 1 month
Age:	55 years old
Education level:	Master of Business Administration, Bachelor of Law
Employment history:	
1999 – present	CEO of Vision & Associates Company
1989 – 1999	Deputy Director of Invest Consult Group Vietnam
Present positions:	
At listed companies:	<ul style="list-style-type: none"> • Member of the Board of Directors of HSC • Member of the Board of Directors of Southern Waterborne Transport Corporation (Sowatco)
At other companies:	<ul style="list-style-type: none"> • CEO of Vision & Associates Company • Chairman of the Board of Managing Partners of Vision & Associates Legal • Chairman of the Board of Directors of Cong Huong JSC



Mr. LE HOANG ANH

- Member
- Executive member of the Board of Directors

Date of 1 st appointment:	21 April 2016
Duration:	8 months
Age:	48 years old
Education level:	Doctor of Economics
Employment history:	
2008 – present	Director of Dragon Capital Markets Limited (DC)
2004 – 2007	Associate Director of Dragon Capital Markets Limited (DC)
2000 – 2004	Senior Analyst of Dragon Capital Markets Limited (DC)
1998 – 2000	Economic specialist of Department of Planning and Investment of HCMC
1994 – 1998	Financial Analyst of NLN Trading Company, Hungary
Present positions:	
At listed companies	<ul style="list-style-type: none"> • Member of the Board of Directors of HSC • Member of the Board of Directors of VietFund Management (VFM)
At other companies	Director of Dragon Capital Markets Limited (DC)

SECRETARY OF THE BOARD OF DIRECTORS

Ms. THAN THI THU DUNG

- Secretary of the Board of Directors

Date of appointment:	16 March 2006
Duration:	10 years and 8 months
Age:	42 years old
Education level:	Bachelor of Economics
Employment history:	
2006 – present	Secretary of the BOD of HSC
2005 – 2006	Secretary of the Board of Directors of Saigon Health Investment Corporation
2000 – 2005	Assistant to CEO at Hoang Lan Ltd. Company
Present positions:	
At listed companies:	Secretary of the Board of Directors of HSC
At other companies:	None

REPORT OF THE BOARD OF DIRECTORS

ASSESSMENT OF THE BOARD OF DIRECTORS ON THE HSC'S PERFORMANCE IN 2016

A. Assessment of the BOD on the corporation's operations

Vietnam's economy in 2016

2016 is considered a challenging year for Vietnam's economy given unresolved internal issues and a turbulent international financial and political context. China's deteriorating economic health with huge debt burden, plunge in oil price and the Bank of Japan's adoption of negative interest rate policy also led to a sharp drop in interest rates of developed countries; Brexit shock also caused the British pound to slump and 10-year bond yields to fall below 1%, triggering market turbulence. Immediately after the seismic shock, U.S. presidential election results worsened the investor sentiment and added to market volatility.

Against such a backdrop of turbulent world economy with potential risk and less likelihood of an early recovery, Vietnam's economy managed to show improvements in terms of production, business and macroeconomic stability. Vietnam's 6% GDP growth rate is viewed as a decent outcome given the world context and more importantly, it stems from improving internal factors.

These improving factors drove the growth in Vietnamese securities market in 2016, which was rated as top 5 markets with the highest growth rate in Southeast Asia. The VN-Index rose by 16%, the market capitalization reached VND 1,923 trillion, equivalent to 46% of GDP or an increase of 40% compared to 2015. Liquidity market strongly improved as the daily average transaction value reached VND 3,047 billion, an increase of 19% compared to VND 2,570 billion / day of 2015.

Business results in 2016

Relatively positive movements of the stock market last year, shareholders' backing particularly the major and strategic ones, and relentless efforts of HSC team led to improved business results compared to the peers. Specifically, the profit after tax in 2016 reached VND 305 billion, increasing by 43% compared to 2015 and representing 101% of the target set by the General Meeting of Shareholders (AGM) 2015.

HSC's brokerage market share in 2016 represents 11.2% of the total market, higher than that of 10.4% in 2015 but still falls short of the planned target of 11.8%. However, the firm is striving to grasp every opportunity to increase market share without compromising sustainable development strategy. Private client brokerage market share rose to 7.1% from 6.9% in 2015 while institutional client brokerage market share also increased to 3.9% from 3.4%, exceeding the target.

B. The BOD's supervision over the Chief Executive Officer and Board of Management

In 2016, the BOD continued to supervise the implementation of resolutions passed by AGM and as follows:

Methods of supervision

The Board of Directors and the Supervisory Board has a deep understanding of the operations of the Company, enabling them to assist the CEO and the Management Team in fulfilling their respective responsibilities.

Representatives of the Board sub-committees regularly reported at the meetings of the Board of Directors as follows:

- The Board Risk Management Committee reported all significant risks arising in each quarter, and proposed recommended action plans to mitigate these risks; and
- The Board Audit Committee reported on the number of internal audits conducted in the quarter, including audit findings and recommendations for strengthening the internal control environment;
- The Board Remuneration Committee reported on the Employee Stock Ownership Plan (ESOP 2016) and approved the remuneration plan for 2016.

The Board of Directors and the Supervisory Board assessed the feasibility of all action plans and all recommendations, seeking to provide more practical solutions where applicable.

The Board of Directors issued resolutions after each periodic meeting and upon request, to approve the business results for each quarter. The Board also provided strategic guidance, oversight and input

relating to the state of the markets and general economy which was used to help develop business plans for the subsequent quarter. Regular communication by the Board with the CEO and Management Team helped to oversee the implementation of these plans to meet HSC's strategic objectives.

Results of supervision

Business results in 2016 with the basic financial indicators are as follows:

Target	FY2016	FY2015	% Change	2016 Plan	% Plan
Revenue	824,245	591,139	39%	734,593	112%
Profit before tax	385,383	271,500	42%	376,357	102%
Profit after tax	304,531	213,310	43%	301,086	101%

Unit: VND million

Conclusion

In accordance with our Company Charter and policies & procedures, the Board of Directors delegated the Management Team to carry out the daily operational activities of the Company and to implement strategic decisions aligned with our business plans. Through quarterly reports on business performance, the Company's daily operation reports, and ad-hoc management reports, the Board of Directors evaluates that the CEO and the Management Team have executed their duties in compliance with prevailing laws; the Company Charter and the AGM shareholders' resolutions. Additionally, the Board of Directors has conducted and performed their duties with due care, professionalism and integrity, thus protecting the interests of the Company and its shareholders. CEO and the Management Team had fulfilled to the best of their efforts the business plan adopted by the AGM 2015. They also contributed to building the business environment based on sustainable development, improving corporate governance; enhance the role of risk management and control.

C. Plans and strategies of the Board of Directors

In the context of potentially turbulent world economy and unresolved internal issues of Vietnam, 2017 is expected to be difficult and challenging.

HSC aims to review its existing strategy and corporate enterprise values in a sustainable manner through strong financial status, improving competitiveness and sustainable, effective growth. The BOD aims to focus on the following activities in 2017:

- Develop strategic business development plans;
- Strengthen and promote core business activities of the Company through diversifying product ranges, improving the quality of service to customers and seizing new opportunities in the stock market as a basis for research, development and diversification of products which maximize customers' benefits and experience;

- Enhance corporate governance as well as risk management and risk control responsibilities in financial management, accounting and auditing, and enterprise risk management by upgrading the capabilities and competencies of the committees under the BOD;
- Continue to enhance transparency in business operations, and ensuring fulfillment of the Board of Directors' independent members' responsibilities;
- Commit to standardizing our procedures to improve operational efficiency, aligning our current processes with applicable laws, especially relating to information security, risk management, internal controls, internal audit and margin lending;

- Increase the efficiency of capital utilization through enhancing products and services offerings, as well as investing in research and development activities for new products and services to meet international standards, regulatory requirements and clients' needs; adopt the development of the process/procedures, trading system and human resource for the derivatives market and new relating products;
- Speed up promotion and enhancement of corporate values by sustainable development through participating in drafting strategic CSR development plan;
- Develop a succession plan for the next generation of management.

CORPORATE GOVERNANCE 2016

Strong corporate governance is an essential element in building a strong foundation and bringing sustainable value to our business. Our approach to corporate governance is derived from a set of values and behaviours that underpin our daily activities, provide transparency and accountability, and maximize value to shareholders and stakeholders. We commit to excellence in corporate governance standards, which we see as fundamental to the sustainability of our business and our performance.

To maximize the corporate values, HSC pursues business development objectives in term of revenue and profits, as well as gradually improves governance capacity in line with international practice, ensures resources and opportunities are optimized to create sustainable values in the long-term.

1. Rights of Shareholders

1.1. Shareholders meeting

On 21/04/2016, HSC held the 2015 Annual General Meeting (2015 AGM). All procedures, laws and regulations at that AGM were followed for the best interest and rights of shareholders.

AGM 2015 invitations were sent to shareholders whose names on the list of Vietnam Securities Depository - HCMC Branch dated 10, 2016. The invitation included information relating to AGM as time, venue, agenda and registration procedures. They were also published

on HSC's website in both (02) languages (Vietnamese and English) for fifteen (15) days before the date of AGM 2015. In addition, the invitation was also posted on the Securities Investment Review.

To facilitate all shareholders and proxy representatives, the AGM 2015 was held on a working day and the admission desk was opened one (1) hour prior the meeting. HSC used barcodes to confirm shareholders' ID and supporting documents as well as the voting and election ratios.

Chairman of the Board, Board members, Chairman of the Board Committees and Board of Management chaired the AGM 2015. In addition, representatives of independent auditors also attended the Meeting and representatives of minority shareholders were entitled to nominate themselves to the Vote Tally Committee. The chaired members were available to respond to any questions and encouraged shareholders or proxy representatives to comment in order to jointly build sustainable growth for HSC.

Meeting minutes, voting result report and the AGM 2015 Resolutions were published on the HSC website in two (02) languages (English and Vietnamese) within twenty four (24) hours after the AGM.

1.2 Dividend Payout

In line with current HSC dividend policy, 70% of the profit after tax is used to pay annual dividend to shareholders. Depending on the business result of previous year, the dividend often ranged from 12% to 20%. HSC always pays dividend on time with a higher percent as AGM approved.

At the AGM 2015, shareholders approved an ordinary share dividend as 12% for the year 2016. The execution plan for the dividend payment of 2016 is summarized as follows:

- The company made the 1st cash dividend payment as five percent (5%), which was paid to shareholders on 12/01/2017. This was announced by the Board of Directors in Resolution No. 11/2016/NQ-HĐQT dated 12/12/2016;
- In order to maintain an attractive Return on Investment for shareholders, the Board of Directors proposed a higher rate for 2nd cash dividend payment at AGM 2015 comparing to the approved plan.

2. Shareholders' equal rights

2.1. Appoint a proxy in the Annual General Meeting of Shareholders

HSC creates all favorable conditions for shareholders to attend the Annual General Meeting. Where a shareholder is absent and cannot delegate a proxy to attend the AGM, that shareholder has the right to delegate a member of the Board of Directors or Supervisory Board on their behalf and to make decision on all the resolutions and issues discussed at the AGM.

2.2. Voting at AGM

Each shareholder or proxy attending the AGM was given voting cards and voting forms using HSC templates. The voting card and voting form have barcodes so the vote count can be conducted efficiently and accurately. Shareholders use voting cards to vote for resolutions raised at the AGM. Key content for the AGM was sent to shareholders prior to the meeting. Shareholders must confirm their voting by crossing in one (1) of three (3) boxes provided. These boxes are termed "approved", "fail" and "no comment" and the shareholders are required to sign the form to confirm and validate the vote.

2.3 Election, discharge, dismissal and addition of members into the BOD and Supervisory Board

Election, discharge, dismissal and addition of members into the Board of Directors and Supervisory Board must be approved at the AGM.

The selection and appointment of new members to the Board are made in accordance with formal procedures stated clearly and transparently in the Company Charter and Corporate Governance Policies. In the event of composition changes to the Board of Directors during the middle of member's term, the Board will nominate and appoint the temporary member according to the Company Charter and Corporate Governance Policies. The nomination and appointment will be submitted at the next AGM for ratification.

At AGM 2015, HSC dismissed all members of the BOD/Supervisory Board third term (2010-2015) and elected new BOD/Supervisory Board members of fourth term (2016-2020) in the form of a secret ballot and cumulative voting whereby each individual shareholder

or authorized representative thereof has a number of votes equal to the number of shares outstanding held times the number of positions up in the BOD/Supervisory Board for vote or they can dedicate all their votes to one or a number of candidates. The list of candidates with attached resumes were posted on the website of the Company seven (07) working days before the date of AGM 2015 so as to give shareholders adequate time to consider qualified candidates for the BOD/Supervisory Board of the upcoming term.

3. Roles of stakeholders

3.1. Relations with stakeholders

Customers

HSC is committed to creating the most favorable conditions and optimal products and services to our customers. To maintain the brand of financial service trust and grasp the opportunity to obtain permission to develop the derivatives market and other new products, HSC attempted to prepare the trading system, the process of deploying the product and human resource to be among the first securities companies to offer derivative products and services to customers in a short while with the highest quality and credibility being assured. It is hoped that from 2017, Vietnamese capital market for listed instruments will be complete as other markets including the stock market, bond market and the derivatives market and offer customers of HSC in particular and investors in Vietnam more generally additional attractive opportunities to invest their capital. Besides focusing investment in the derivatives market, HSC also constantly developed new products to cater the needs of different customer segments.

Shareholders

Long-term and loyal commitments of all HSC's shareholders, regardless of whether it is major, strategic or minority shareholder, is the main source of motivation driving HSC's efforts to bring sustainable investment efficiency to shareholders and maintain the trust "Investing right, investing in HSC".

HSC ensures equal and non-biased rights without any discrimination whatsoever. All shareholders are entitled to adequate information to make appropriate investment decisions.

Employee

Corporate culture is key to talent development in a company. To foster a culture up to the expectations of the company itself and the majority of employees, we aim to build a corporate culture where professional, qualified and insightful staffs are also men of good moral standards who always give compassion to the community.

HSC aims at building a professional, attractive, friendly, efficient workplace and merit-based assessment mechanism in line with the company's vision, code of conduct, and corporate culture to maximize the capacity of the employees for the sustainable development of the enterprise.

Besides, the company encourages employees to seize the opportunity for their own professional development and development of the Company. Opportunities are always there for those who seek and try. We encourage individuals to understand the company, learn the products and current needs so that when opportunity knocks, such insightful understanding of the company will open the door. It is capabilities and attitudes that help you seize the opportunities. With that guiding principles, in 2016, HSC launched cross-sale operations to optimize resources and ensure fast and sustainable growth in the future.

Identifying the right corporate values will bring positive value to all stakeholders.

Communities

HSC is dedicated to contributing to all aspects of community development. We endeavour to implement initiatives that have long term positive impacts on all communities in which we live in and work, and also those where we don't. We believe that whilst giving back to communities enhances our corporate image, our driver in community development is simply one of Humanity. Raising community standards is a core objective which we believe will be an essential component of our future success.

Environment (Market)

We recognize our responsibility to contribute to the development Vietnam's capital markets. We are recognized as a pioneer locally, supporting holistic growth in products, market activities and corporate expansion and therefore fostering goodwill from

domestic and foreign observers. We play an active role in shaping the market and the rules by which we are bound, through our interaction and ongoing dialogue with the Regulator. It is a leadership and supporting role that HSC is obligated to fulfil.

3.2. Communication Channel

The contact point at HSC is the Communication Department. All questions of the stakeholders will be delivered to and processed by related department and Communication Department will then represent HSC in answering questions by phone or email.

4. Information Disclosure

Policy on information disclosure

Information disclosure policies at HSC comply with all regulations and are aligned with our corporate governance policies. The information HSC discloses is in accordance with the following principles:

- The disclosed information should be accurate, complete, clear and must be disclosed within the agreed time frame;
- The disclosed information must comply with current regulations;
- All stakeholders have the right to access disclosed information;
- Information that may have a significant impact on the share price of HCM, or possibly influence investor decisions, affect shareholder rights, or events occur that may adversely affect the legitimate interests of investors, should be disclosed in timely manner and shall be disclosed in HSC's official website, and to the Ho Chi Minh City Stock Exchanges (HOSE) and the State Securities Commission (SSC).

5. Board of Directors

5.1 Board of Directors members and its structure

In 2016, the Board of Directors has maintained operations in compliance with the Company Charter and corporate governance policies. The Board of Directors consists of seven (7) members. Its structure ensures the balance between members with various skills, knowledge and experience including legal, finance and securities

professions with a balance between executive, non-executive and independent members. The names of the persons who have been or are Directors in the reporting period are listed below, along with their shareholding and the voting rights of each member including individuals and representative:

No.	Name	Board of Directors' Member			HCM shares ownership %	
		Independent	Non-executive	Executive	% Representative	% Owned
1	Mr. Do Hung Viet	√				0,01
2	Mr. Le Anh Minh		√		15,43 (**)	0,03
3	Mr. Nguyen Thanh Liem		√		20,63 (*)	
4	Mr. Le Thang Can		√		8,84 (*)	
5	Mr. Pham Nghiem Xuan Bac	√				0,24
6	Mr. Johan Nyvene			√	15.43 (**)	0.40
7	Mr. Le Hoang Anh		√			

Notes:

(*) The percentage of representatives from the HCM Finance and Investment state-owned Company (HFIC), a key state-owned shareholder owning 29.47% of HSC's charter capital.

(**) The percentage of representatives from the Dragon Capital Markets Limited (DC), a key foreign shareholder accounting for 30.87% HSC's charter capital.

5.2 Changes in the BOD members

On April 21, 2016 when AGM 2015 was held, out of seven (07) members of the Board elected for IV term (2016-2020), six (06) were reappointed and one (01) new members nominated by strategic shareholder Dragon Capital, i.e. Mr. Le Hoang Anh. Mr. Trinh Hoai Giang, Board member cum Deputy CEO, was no longer a member of the Board as of April 21, 2016.

Changes to the board members of the fourth term (2016 - 2020) were made in line with international practice on BOD structure: minimize the number of part-time executive board members, increase the number of non-executive and independent board members.

5.3 Chairman of the Board of Directors and CEO are separate roles

The segregation of duties between Chairman and CEO represents independence and a clear division of responsibilities between the Board of Directors and the Board of Management to ensure the division of powers in decision-making process, increase accountability and improve independence of the Board. Powers and duties of the Board Chairman and CEO are stated in the Company's Charter.

Chairman of the Board is an independent member who served as the Company's CEO since its establishment. He was appointed in 2007 and is currently on the Board of the fourth term.

5.4 Roles and responsibilities of the Board of Directors

In accordance with the provision of Enterprise Law and the Company Charter, the Board of Directors is the governing body of HSC, which has ultimate decision-making authority, and it is empowered on behalf of the Company to carry out its duties and fulfil its obligations to the shareholders, which are not necessarily under the jurisdiction of the AGM.

In carrying out its duties, the Board of Directors must comply with all laws, the Company Charter and resolutions made at the AGM. In the event decisions made by the Board contradict the law or Company Charter, thereby causing damage to the Company, the members who voted in favour of for these decisions are jointly and individual liable for any damages.

5.5 Activities of the Board of Directors

The BOD summoned eleven (11) meetings in 2016 including four (04) direct meetings and seven (07) meetings in the form of written consultation. Notice of invitation and the agenda of the direct meetings were emailed to BOD members at least fifteen (15) days and meeting documents to be sent at least five (05) days before the meeting. As for written consultation via email, contents consulted are presented in detail in the proposals and deadline for response is no later than seven (07) days after the date of sending the proposals.

At the meetings, the Board approves business results of previous quarter, makes market commentary and proposes the strategic plan for the next quarter, and approves other issues under their mandate. At the first meeting of the fiscal year annually, the Board assesses the situation of domestic and international market, thereby reviewing the Company’s vision and mission in light of the current context.

No.	Member	Position	Date of appointment	Date of resignation	Number of Board meetings attended	Attendance ratio	Reasons for not attending
1	Mr. Do Hung Viet	Chairman	April 21, 2016		11/11	100%	Re-appointed on April 21, 2016
2	Mr. Le Anh Minh	Vice Chairman	April 21, 2016		11/11	100%	Re-appointed on April 21, 2016
3	Mr. Nguyen Thanh Liem	Vice Chairman	April 21, 2016		11/11	100%	Re-appointed on April 21, 2016
4	Mr. Pham Nghiem Xuan Bac	Member	April 21, 2016		11/11	100%	Re-appointed on April 21, 2016
5	Mr. Le Thang Can	Member	April 21, 2016		11/11	100%	Re-appointed on April 21, 2016
6	Mr. Johan Nyvene	Member	April 21, 2016		11/11	100%	Re-appointed on April 21, 2016
7	Mr. Le Hoang Anh	Member	April 21, 2016		7/11	64%	Appointed on April 21, 2016 and did not attend due to business trip
8	Mr. Trinh Hoai Giang	Member	April 08, 2011	April 21, 2016	3/11	27%	Resigned on April 21, 2016

The resolution is only adopted when over one-half (1/2) of the total number of participants agree. The list of members attending Board meetings in 2016 is as follows:

Contents adopted in the Resolution of the Board of Directors

Business results and business plan

- Forecast from business results 2015 (Resolution 01/2016);
- Adjustment of profit after tax in the business plan 2016 (Resolution 03/2016);
- Forecast from business results of first 6 months of 2016 (Resolution 06/2016);
- Review of business results for first 9 months of 2016 (Resolution 09/2016).

Risk management

- Adjustment of the total value used for margin lending (Resolution 01/2016);
- Adjustment of Section 4.2, Article 4 of the Operating Principles of the Risk Management Committee (Resolution 01/2016);
- Approval for increasing credit limit at banks (Resolution 01/2016, Resolution 02/2016, Resolution 03/2016, Resolution 05/2016, Resolution 06/2016, Resolution 07/2016, Resolution 08/2016, Resolution 09/2016).

Corporate governance

- Decide the date to hold AGM 2015 (Resolution 01/2016);
- Approval of the time, venue and agenda for AGM 2015 and the main contents of the report to be submitted to the AGM 2015 (Resolution 02/2016);
- Adjustment of the agenda for AGM 2015 (Resolution 03/2016);
- Approval of the proposal by the Board of Management submitted to the General Meeting of Shareholders regarding HSC’s engagement in the derivative securities market (Resolution 03/2016);
- Approval in principle of the ESOP 2016. Board Executive Board proposal regarding ESOP 2016 plan submitted to the General Meeting of Shareholders for approval (Resolution 03/2016);
- Approval of some basic criteria for ESOP 2016 (Resolution 06/2016);

- Approval of the structure of the Board of Directors (Resolution 06/2016);
- Approval of the structure of the Board Risk Management Committee, Board Audit Committee and Remuneration Committee (Resolution 06/2016);
- Approval of Delegation of Authority Policy (Resolution 09/2016);
- Approval of operating principle of the Board of Management (Resolution 09/2016);
- Agreement on amending and supplementing the Company’s Charter after the Circular replacing Circular No. 121/2012 / TT-BTC is issued (Resolution 03/2016);
- Agreement on raising the foreign investor’s ownership ratio after the Decree regulating “Conditions of Securities Investment and Business Operation” is issued (Resolution 03/2016);
- Approval of the relocation of Hanoi Branch (Resolution 10/2016).

Other issues

- Agreement on the rate of job allowance deductibles for employees in 2015 (Resolution 01/2016);
- Approval of the 1st cash dividend payment in 2016 at 5% (Resolution 11/2016);
- Approval of selecting Ernst & Young Vietnam Ltd. as the audit firm for financial year 2016 (Resolution 04/2016).

5.6 Activities of non-executive, independent members of the Board of Directors

Compliance with regulations on the proportion of independent and non-executive members can ensure objective and independent decision making. The current structure of the HSC board members is balanced between the executive, part-time members and non-executive, independent members, at least 1/3 of who are independent members.

In reference to the current regulations and international best practices on the independence of the Board members, HSC Board found that although the two (02) independent members of the Board, namely Mr. Do Hung Viet and Mr. Pham Nghiem Xuan Bac have been on the Board for over 9 years but have not altered the independence of decision making process and continue to make valuable contributions to the development of the company. Therefore, it is deemed that the two (02) members still comply with current regulations on independent Board members.

Independent and non-executive members are mostly members of the Board Committees. As a matter of fact, besides general duties as the Board members, they also undertake assignments under their Committees.

5.7 The Board Committees

Two Committees namely Board Risk Management Committee and Board Audit Committee are established under the BOD. In 2016, the Board officially established the Board Remuneration Committee.

These committees are tasked with advising and assisting the Board in maintaining and enhancing internal control operations of the Company. All three committees are comprised of independent, non-executive and executive members. They were selected based on qualifications and experience as well as contributions to the committee:

No.	Name	Position	Board Risk Management Committee	Board Internal Audit Committee	Board Remuneration Committee
1	Mr. Do Hung Viet	Chairman Independent Board member	√	Chairman √	√
2	Mr. Le Anh Minh	Vice Chairman Non-executive Board member	Chairman √		Chairman √
3	Mr. Le Thang Can	Member Non-executive Board member		√	
4	Mr. Le Hoang Anh	Member Non-executive Board member	√		
5	Mr. Johan Nyvene	Member Executive Board member			√
6	Mr. Vo Van Chau	Head of Supervisory Board			√
7	Ms. Dang Nguyet Minh	Member Member of Supervisory Board		√	

5.8 Activities of the Committees under the Board of Directors

Board Risk Management Committee

Risk Management Committee is responsible for advising the Board in issuing the strategies, processes, and policies relating to risk management of the Company. Risk Management Committee is also tasked with analyzing and setting early warning signs about the prudential thresholds in the face of potential risks and proposing preventive measures; analyzing and determining the overall risk level of the company, setting risk appetite and risk tolerance in specific business lines as well as the overall business operations of the Company, and overseeing the implementation of policies in the company, reviewing funding, liquidity and capital raising the company. Risk Management Committee shall be responsible for reviewing and deciding on changes to the organizational risk management structure of the company to comply with the requirements for risk management of the authorities. In addition, Risk Management Committee also needs to evaluate the performance of the Chief Risk Officer.

Activities of the Risk Management Committee

- In 2016, the Risk Management Committee reviewed the Delegation of Authority Policy and Terms of Reference for the BoM, which were prepared by the Risk Management Department before submitting to the Board of Directors for approval. The Risk Identification and Escalation Policy for the whole company and the Margin Lending Risk Management & Reporting Escalation Policy have also been issued following the approval of the Board of Management, Risk Management Committee and Board of Directors. On a quarterly basis, the Risk Management Department will send a report on significant risks identified in the quarter along with an action plan and monitoring results to the Risk Management Committee;
- On a monthly basis, the Risk Management Department will send a report on transactions carried out during the month to Risk Management Committee;
- The Risk Management Committee shall summon a meeting to approve the transactions under their mandate;
- Changes to the composition of the Risk Management Committee: Mr. Le Hoang Anh - BOD Member, appointed to the Risk Management Committee from 28/06/2016 in place of Mr. Pham Nghiem Xuan Bac.

Board Audit Committee

The Board Audit Committee was founded in early 2014. It acts in accordance with the Terms of Reference and Charter which have been approved by the Board of Directors.

The Board Audit Committee has completed the joint internal audit contract with KPMG Vietnam Ltd. for the period of three (03) years from 2014 to the end of 2016. From 2017 onwards, HSC will have independent Internal Audit Department, reporting directly to the Board Audit Committee under the Board of Directors.

Activities of internal Audit Department and Follow-up of Internal Audit Findings :

In 2016, the Internal Audit Department has issued the following audit reports:

- Anti-money laundering review report
- Institutional client brokerage
- IT Internal Audit Follow-up
- Treasury management / Proprietary trading
- Accounting and financial reporting
- Private Client brokerage Internal Audit Follow-up

Currently the Internal Audit Department is conducting audits on the following processes:

- Human resource management
- Margin Lending Internal Audit Follow-up
- Institutional client brokerage Internal Audit Follow-up

Audit Projects Progress Report and Follow-up reports on the internal audit findings were reported in the periodic meetings of the Board Audit Committee.

Board Remuneration Committee

The Board Remuneration Committee was officially established under Resolution No. 06/2016 / NQ-HDQT dated June 27, 2016 and is in the process of developing Operating principles and the Charter of the Committee to submit to the Board for approval.

The Board Remuneration Committee is tasked with advising and proposing remuneration and other benefits of the members of BOD, Supervisory Board and Board of Management; reviewing the annual budget plan on staff to be submitted to the Board of Directors for approval and deciding on the ESOP for selected employees of the Company.

5.9 Participation of the Board of Director members in corporate governance programs

All members of the Board of Directors and Supervisory Board participated in “Corporate governance” training course as prescribed in Article 34 of the Circular 121/2012 /TT-BTC dated July 26, 2012 of the Ministry of Finance, except for Mr. Pham Nghiem Xuan Bac due to some constraints. The company will arrange reasonable time for Mr. Pham Nghiem Xuan Bac to join such training course on corporate governance in the near future.

Besides, Chairman and representatives of HSC Board of Directors also attended workshops on corporate governance in 2016, notably the workshop on “Enterprise Law 2014: New regulations on Corporate Governance and applicability for Vietnam enterprises” updating businesses of issues related to Corporate Governance regulations in the new Enterprise Law and introducing regional and international practice on corporate governance jointly held by Deloitte Vietnam Limited and International Finance Corporation (IFC) in collaboration with the Hanoi Stock Exchange (HNX) and Ho Chi Minh City Stock Exchanges (HOSE) In June 2016.

5.10 Briefing Orientation of the Company and necessary information provided to newly appointed board members

The Board of Directors required that each newly appointed board members commits to continue improving knowledge and skills in the area of operations of the Company in order to better understand the operation of the company and contribute effectively to the sustainable development of the company, through the document giving overview of the company’s activities, namely annual reports and direct meetings or email communication with all the members or the Secretary of the Board.

Remuneration of the Board of Directors’ members in 2016

No.	Name	Position	Specialization	Executive role	Remuneration per month (after tax) (VND)	Note
1	Mr. Do Hung Viet	Chairman	√		Salary employing	
2	Mr. Le Anh Minh	Vice Chairman			10,000,000	
3	Mr. Nguyen Thanh Liem	Vice Chairman			10,000,000	
4	Mr. Pham Nghiem Xuan Bac	Member			10,000,000	
5	Mr. Le Thang Can	Member			10,000,000	
6	Mr. Johan Nyvene	Member		√	Salaried employee	
7	Mr. Le Hoang Anh	Member			10,000,000	Appointed 21/04/2016
8	Mr. Trinh Hoai Giang	Member		√	Salaried employee	Resigned 21/04/2016

5.11 Assessment of operational effectiveness of the Board of Directors’ performance

The Board of Directors has taken many efforts to improve corporate governance and align our standards with current regulations and international practice. For example:

- Carried out activities appropriate to the Company Charter, ensuring that regular meetings were held and that all Board members attended the meetings;
- Clearly defined the roles of independent and non-executive members in order to maximize interests of all shareholders;
- Monitored the implementation of the Board of Directors’ decisions and resolutions at the AGM;
- Directed and monitored the implementation of various important projects at HSC, including those relating to risk management, internal audit, improvements in business processes, developing derivatives market and new products;
- Monitor the Board Committees to ensure compliance with the Operating principles and Company Charter.

6. Transactions, remuneration and benefits of the Board of Directors, Board of Management and Supervisory Board

6.1. Remuneration of the Board of Directors and Supervisory Board

The operating fund of HSC’s Board of Directors and Supervisory Board in 2016 amounts to one point two percent (1.2%) of profit after tax, as approved at the AGM 2015.

Quarterly remuneration payments to members of the Board of Directors and Supervisory Board comply with Resolution 12/2011/NQ-HDQT, dated 21/12/2011, which covers the approval of remuneration for the Board of Directors and Supervisory Board.

Remuneration of the Supervisory Board members in 2016

No.	Name	Position	Remuneration per month (after tax) (VND)
1	Mr. Vo Van Chau	Chairman	10,000,000
2	Mr. Doan Van Hinh	Member	6,000,000
3	Ms. Dang Nguyet Minh	Member	6,000,000

Based on the remuneration presented above and the prevailing number of members of the Board of Directors and Supervisory Board at certain moments, the payment of remuneration and operating expenses to the members of the Board of Directors and Supervisory Board specifically are detailed as below.

Table detailing remuneration and operating expenses of the Board of Directors and Supervisory Board in 2016

No.	Content	Amount (VND)
1	Operating fund of the Board of Directors and Supervisory Board at the beginning of 2016	697,149,329
2	Operating fund of the Board of Directors and Supervisory Board in 2016 (1.2% of 2015 profit after tax)	2,559,721,203
3	Operating fund spending of Board of Directors and Supervisory Board Include: 1. Remuneration of the Board of Directors & Supervisory Board in 2015 2. Other operating expenses	3,127,116,738 992,666,656 (*) 2,134,450,082
4	Operating fund of the Board of Directors & Supervisory Board carried forward at the end of 2016	129,753,794

(*) Total remuneration of the Board of Directors was VND 633,333,328 and Supervisory Board was VND 293,333,332 (including personal income tax). The spending on remuneration for the Board increased by 13% compared to 2015 due to the appointment of Mr. Le Hoang Anh from April 21, 2016 and incurrence of remuneration from quarter 2/2016. In 2015, Mr. Trinh Hoai Giang concurrently acted like a member of the Board and Deputy CEO so he only received salaries, not remuneration for being a Board member.

6.2 Regulation on bonuses to the Board of Directors and Supervisory Board

Besides the regulation of remuneration to the members of the Board of Directors and Supervisory Board as presented above, the independent and non-executive members of the Board of Directors and Supervisory Board do not receive any amount as bonuses from the Company bonus & welfare funds.

6.3 Regulation on other benefits to the Board of Directors and Supervisory Board

Currently, the Company’ business expenses benefits (including those relating to the use of company cars; telephones; social, medical and other insurance; the annual health check, and other items specified in the Company’s policies) and other benefits in internal policies are only applicable to the Chairman of the Board of Directors. Only business travel expenses from other members of the Board of Directors and Supervisory Board are charged to the Company (if incurred)

6.4 Share trading transactions of internal shareholders

In 2016, HSC recorded the following transactions of HCM shares with respect to internal shareholders:

No.	Name	Relationship with internal shareholders	Number of shares owned initially		Number of shares owned at the end period		Reasons for increase, decrease (purchase, sell, convert, reward)
			Number of shares	Percentage (%)	Number of shares	Percentage (%)	
1	Resonance JSC	Company related to Pham Nghiem Xuan Bac – Member of the Board of Directors	481,672	0.38	481,672	0.38	Registered to buy 200,000 shares from 25/03/2016 to 22/04/2016, but not yet purchase due to inappropriate shares' price.
2	Mr. Pham Nghiem Xuan Bac	Member of the Board of Directors	360,000	0.28	300,000	0.24	Registered to sell 100,000 shares from 06/09/2016 to 05/10/2016, but sold 60,000 shares due to inappropriate shares' price.

6.5 Transactions with related parties

No.	Related parties	Relationship	Headquarter	Date of transaction	The Board of Directors resolution No.	Quantity, percentage of shares after transactions	
						Quantity	Percentage
1	Dragon Capital Markets Limited (DC)	Strategic shareholder	Room1501, 15 th Floor, Me Linh Point, No 02 Ngo Duc Ke Street, District 1, HCMC	12/2016	No. 08/2014/NQ-HDQT dated 03/10/2014	39,278,810	30.87

Note: HSC and DC signed a contract on providing consultancy services about business processes, in which DC supports HSC on market research, corporate finance, institutional brokerage, merger and acquisition. The contract term is three (03) years from 2014 to 2016 and consultancy fees for 2016 were VND 9,618,991,691 (VAT included).



Mr. VO VAN CHAU

• Chairman of the Supervisory Board

Date of 1st appointment: 02 December 2002
 Date of 1st reappointment: 30 June 2007
 Date of 2nd reappointment: 08 April 2011
 Date of 3rd reappointment: 21 April 2016
 Duration: 14 years 1 month
 Age: 63 years old
 Education Level: Bachelor of Economics
Employment history:
 10/2014 – present Member of the Board of Directors, CEO of Kienlong Bank
 2013 – 10/2014 Consultant to the Board of Management of Kienlong Bank
 2009 – 2013 Consultant to the Board of Management of TrustBank
 2002 – 2009 General Director of Phuong Dong Commercial Bank
 1993 – 2002 Branch Director of Asia Commercial Bank in Danang and Daklak
Present positions:
 At listed companies: Chairman of the Supervisory Board of HSC
 At other companies: Member of the Board of Directors, CEO of Kienlong Bank



Mr. DOAN VAN HINH

• Member of the Supervisory Board

Date of 1st appointment: 30 June 2007
 Date of 1st reappointment: 08 April 2011
 Date of 2nd reappointment: 21 April 2016
 Duration: 9 years 6 months
 Age: 63 years old
 Education level: Bachelor of Economics
Employment history:
 2007 – 08/2014 Chief Financial Officer of Saigon Co-op J.S Investment and Development Company
 1997 – 2007 Chief Accountant of Saigon Co-op
Present positions:
 At listed companies: Member of the Supervisory Board of HSC
 At other companies: None



Ms. DANG NGUYET MINH

• Member of the Supervisory Board

Date of appointment: 26 April 2013
 Date of 1st reappointment: 21 April 2016
 Duration: 3 year 8 months
 Age: 29 years old
 Education level: Bachelor of Economics and Business Administration
Employment history:
 2014 – present Associate Director of Dragon Capital Markets Limited (DC)
 2012 – 2014 Senior Financial Analyst of Dragon Capital Markets Limited (DC)
 2009 – 2012 Financial Analyst of Dragon Capital Markets Limited (DC)
Present positions:
 At listed companies: Member of the Supervisory Board of HSC
 At other companies: Associate Director of Dragon Capital Markets Limited (DC)

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board consists of three members, including two independent members, who act together as shareholders' representatives to continue examining, supervising, and advising on risk management and corporate governance issues at HSC. In 2016, the main areas overseen by the Supervisory Board were as follows:

- The implementation of resolutions passed at the FY2016 Annual General Meeting ("AGM"); and the activities of the Board of Directors (BOD);
- Business activities and 2016 financial results; and
- Internal audit activities in 2016.

1. Supervising the activities of the BOD, and the implementation of resolutions passed at the FY2015 AGM

The Supervisory Board participated in all BOD meetings, providing insights into HSC's performances, advising the BOD and the Executive Committee (EXCO) on the implementation of resolutions approved at the FY2015 AGM.

Key issues discussed in the BOD's meetings included:

- Update on business results and projections;
- Research the operations of derivatives market and construct an implementation planning;
- Issues in raising the limit of foreign ownership to over 51%;
- The BOD's structure and EXCO's terms of reference;
- Company's risk portfolios;
- Policies on Authority.

Inputs from the Supervisory Board in its role as representatives of investors, were all respected by, and considered in the decisions of the BOD.

2. Business activities and 2016 financial results

In 2016, the Supervisory Board organized regular meetings (twice a year) with HSC's external auditor, Ernst & Young Vietnam Limited, to discuss the audit scope, audit findings and other relevant matters detailed in the Management Letter. Accordingly, HSC's business operations are conducted in a transparent manner, with no violations relating to the accounting, finance, and operational processes of HSC. This year, Ernst & Young

Vietnam Limited only provided audit services to HSC and they did not provide any other advisory services. The total expenditure related to the 2016 audit was VND 1,049,400,000 which included VAT.

Additionally, the Supervisory Board analyzed all quarterly financial statements, reviewed half year and full year audited reports, as well as any financial information presented by EXCO at BOD meetings. In terms of financial safety, HSC's ratios all met high standards, and capital adequacy ratio (CAR) was one of the industry's highest at 710%.

In terms of financial results, HSC has fulfilled the plan approved by the AGM2015. Among HSC's operations:

- Margin lending revenue increased by VND 121 billion, contributing the most to Company's growth. This was an increase of 54% compared to last year;
- Brokerage fees revenue increased by VND 87 billion, or a 33% growth compared to 2015, driven by HSC's market share increasing from 10.4% to 11.2%, and a 19% increase in liquidity in 2016;
- Proprietary investment revenue increased by VND 34.5 billion with a return of 46%/year;
- Investment Banking revenue, while being below target, recorded a 89% increase;
- Expenses are carefully controlled.

Recommendation of the Supervisory Board on business performance:

- Recognizing the efforts of EXCO as well as HSC's entire staff, the Supervisory Board recommends that HSC needs to adopt competitive remuneration policies to hire, motivate and retain top-quality staff, enhancing its competitiveness given there are significant developments in the market;
- HSC needs to increase its Investment Banking capacity by investing more in human resources to timely and effectively capture opportunities;
- Besides, some business activities could have performed better. Especially, with the vision of leveraging for margin lending activities, HSC needs to continuously assess lending ratio calculation methodology, closely watch stocks performances to identify potential risks, and add pre- and post-transaction checking processes.

These are areas that HSC need to continue improving next year to ensure its stable growth, as well as generate ROE that meets market's demand and reflect the company's capability.

Basic financial ratios

No.	Key ratios	FY2016	FY2015
1	Liquid Capital Safety Ratio	710%	1,053%
2	Liquidity and Solvency Ratios		
<i>a</i>	<i>Current Ratio (times)</i>	2.84	2.63
<i>b</i>	<i>Total Debt to Total Assets Ratio (times)</i>	0.34	0.37
3	Capital Structure Ratios		
<i>a</i>	<i>Owner's Equity to Total Assets Ratio (times)</i>	0.66	0.63
4	Profitability Ratios		
<i>a</i>	<i>ROAE (Net Profit after Tax to Average Owners' Equity)</i>	13.04%	9.20%
<i>b</i>	<i>ROAA (Net Profit after Tax to Average Total Assets)</i>	9.06%	5.72%

3. Supervising internal audit activities in 2016

In cooperation with the Board Audit Committee, in 2016, the Supervisory Board continued to supervise activities of the Internal Audit Department and evaluate HSC's operating processes.

In 2016, the Internal Audit Department performed 2 new audits on accounting-financial reporting and HR management processes. In addition, it also completed the Internal Audit Follow-up on Institutional Client Brokerage and Proprietary Investment/Capital Management processes. The audit scope included compliance with regulations, procedures and opportunities for improvement where necessary.

The audit results showed certain gaps compared to international standards and practices, particularly concerning the completion of the policy and procedures, delegation of authority, and IT systems. However, most of the measures being implemented are adequate, and reasonable to control risk and achieve their objectives. The EXCO is fully aware of risk factors and have plans in place to further improve upon the recommendations of the Internal Audit Department.

Some issues should be noted as follows:

- For accounting process: At the time of audit, although no losses have been incurred, it is recommended that HSC add new approval limits to further improve mechanisms of LoA - Limit of Authority and DoA - Delegation of authority to be more comprehensive. With the efforts of the Accounting Department, Risk Management Department and related departments, so far these LoA & DoA processes have been completed. IT systems should be further upgraded with clearly defined accesses to enhance the security of our customers and the company. The Supervisory Board recommends that these policies be communicated and updated on a regular basis to minimize risks in the future;
- For institutional brokerage processes: It is recommended to supervise more closely the opening accounts, fees approval, and customer evaluation processes. At the same time, transaction limits must be articulated in the Department's policy and approved by the CEO;

- For proprietary investment process: Currently the organizational structure of the Proprietary Investment Department is not up to international corporate governance standards and practices. However, given limitations of Vietnam's market in terms of size and human resources, the strategic objectives of the Proprietary Investment Department must be clearly defined before conducting any alteration to the current operating model.

The Supervisory Board believes that all departments should strictly adhere to the timelines committed during the audits to improve the risk management processes of their departments. Therefore, in addition to auditing new processes, the Internal Audit Department should follow up on the progress made, remind the departments when needed, and report the results to the Board Audit Committee, as well as the CEO, in a timely manner. In the course of operation since 2014, the Internal Audit Department has fulfilled its role and effectively collaborated with the Supervisory Board. This ensures that HSC's operations are under adequate control and in line with the best practice and standards.

4. Remuneration of the Supervisory Board in 2016

Total remuneration of the Supervisory Board in 2016 was VND 322,666,664 (inclusive of personal income tax). Specific remuneration to each member is as follows:

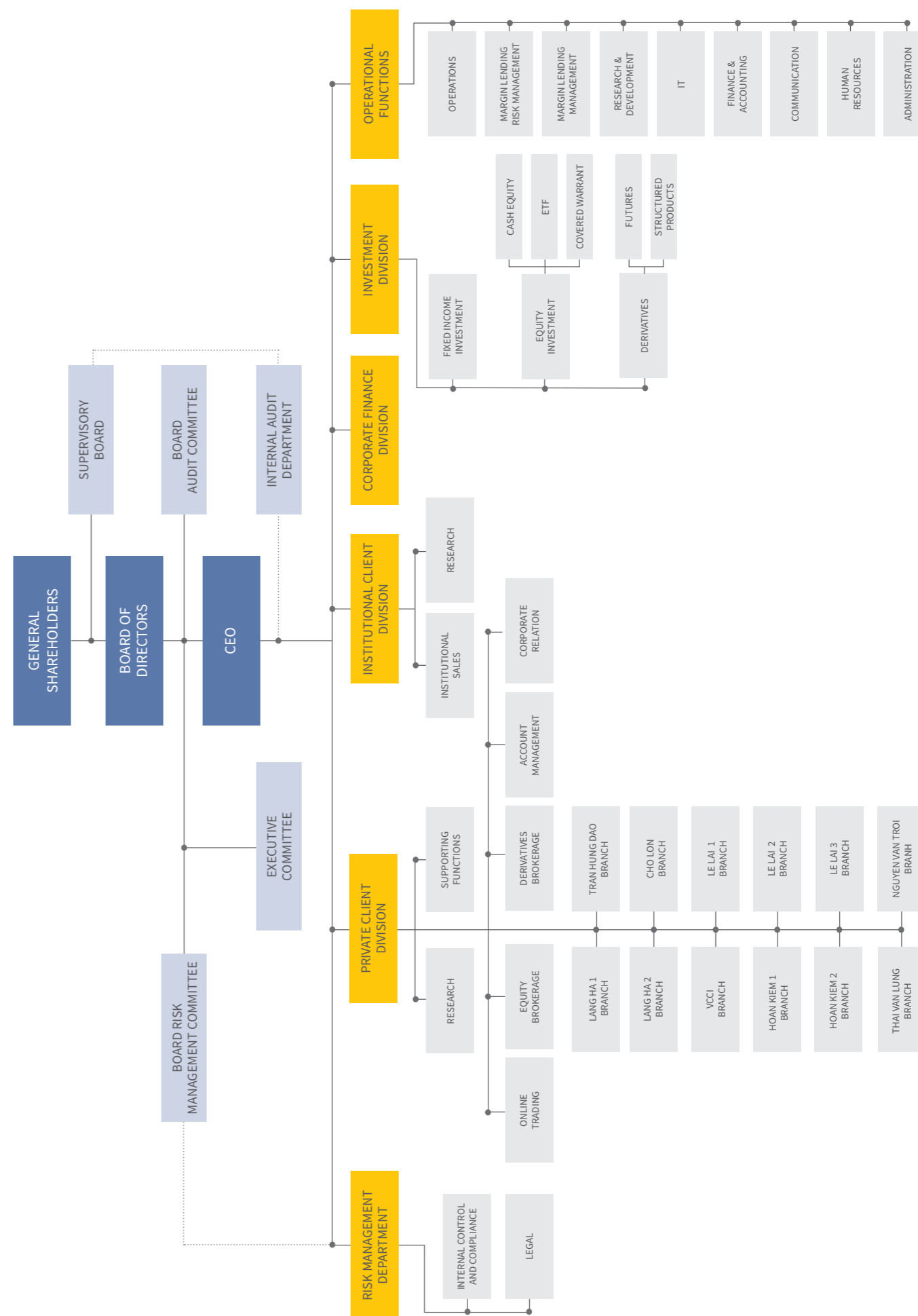
No.	Member	Position	Remuneration per month (after tax) (VND)	Note
1	Mr. Vo Van Chau	Chairman	10,000,000	
2	Mr. Doan Van Hinh	Member	6,000,000	
3	Ms. Dang Minh Nguyet	Member	6,000,000	

5. Plan of the Supervisory Board for 2017

The Supervisory Board continues to accompany and supervise the Internal Audit Department in completing the audits started in 2016 and new audits in the following processes:

No.	Audit processes
1	Anti-money laundering processes (annually)
2	Human resources management
3	IT and Security Management
4	Margin lending process (2 nd review)
5	Retail Client Brokerage (2 nd review)

In addition, the Supervisory Board will continue to monitor the improvement of risk management models, and the completion of HSC's long-term strategic plan. The Supervisory Board commits to continually developing its own operational processes and to strive to maintain international corporate governance standards and practices. We would like to sincerely thank our shareholders for their trust and ongoing support, and we wish HSC new levels of prosperity.



MANAGEMENT BOARD



Mr. JOHAN NYVENE

- Chief Executive Officer

Date of appointment:	15 May 2007
Age:	51 years old
Education Level:	Bachelor of Banking and Finance
Employment history:	
2007 – present	CEO of HSC
12/2014 - 12/2015	Managing Director - Head of Corporate Finance Division
2010 – present	Vice Chairman of CEO Club
2005 – 2007	Branch Manager of HSBC in Hanoi
1998 – 2005	Director of Global Banking at HSBC in HCMC
1990 – 1998	Director of International Banking at Corestates – First Union Bank, Philadelphia, USA



Mr. TRINH HOAI GIANG

- Deputy CEO
- Chief Operating Officer

Date of appointment:	15 May 2007
Age:	47 years old
Education Level:	Master of Business Administration
Employment history:	
2007 – present	Deputy CEO – COO of HSC
2010 – present	Vice Chairman of Vietnam Bond Market Association
2005 – 2007	Corporate Finance Associate Director of Dragon Capital Markets Limited (DC)
2003 – 2005	Studied MBA in the US, Fulbright Scholarship
2001 – 2003	Credit Officer of Vietcombank
1995 – 2001	Foreign Exchange Dealer of Vietcombank Treasury



Mr. HENRY DICKON VEREY

- Managing Director
- Head of Institutional Sales Institutional Client Division

Date of appointment:	15 November 2016
Age:	41 years old
Education Level:	Bachelor in Modern American History
Employment history:	
2016 – present	Managing Director – Head of Institutional Sales, Institutional Client Division
2013 – present	Present Founding Partner of Silver Mountain / Resolute Trading – Phnom Penh, Cambodia
2009 – 2010	Director, Institutional Sales of Horizon Securities – HCMC, Vietnam
2007 – 2008	Head of Trading and Institutional Brokerage of Mekong Securities – HCMC, Vietnam
2000 – 2002	Associate in Equities Division, Pan/Europe Sales Trader - Goldman Sachs Group Inc. – London, England
1997 – 2000	Financial Analyst in Equities Division, US Sales Trader - Goldman Sachs Group Inc. – Boston, MA



Mr. ARNOLD V. PANGILINAN

- Managing Director
- Head of Risk Management Department

Date of appointment:	12 August 2013
Age:	52 years old
Education Level:	Bachelor of Business Administration
Employment history:	
2012 – present	Managing Director – Head of Risk Management Department at HSC
2010 – 2011	Chief Financial Officer of JSM Indochina Ltd
2008 – 2010	Compliance/Risk Manager, Controller of Indochina Capital Advisors Ltd / Indochina Capital Corporation
2003 – 2008	Chief Financial Officer of DHL-VNPT Express Ltd
1997 – 2002	Financial Controller/Compliance Manager of HSBC Vietnam
1995 – 1997	Financial Controller/Administration Manager of Ing. G. Rodio Spa - a leading Italian construction firm



Mr. LE CONG THIEN

- Deputy CEO
- Managing Director - Head of Private Client Division

Date of appointment:	12 August 2013
Age:	48 years old
Education Level:	Master of Business Administration
Employment history:	
2012 – present	Deputy CEO - Managing Director - Head of Private Client Division of HSC
2010 – 2012	Managing Director - Head of Brokerage and Sales, Private Client Division of HSC
2008 – 2010	Head of Small to Medium Enterprise Banking of ANZ Vietnam
2007 – 2008	General Director of Cho Lon Securities J.S. Company
2004 – 2007	Head of Commodity and Trade Finance/ Chief Manager of ANZ Vietnam
1998 – 2004	Trade Sales Manager/Assistant Vice President; Relationship Manager of Citigroup/Citibank N.A HCMC, Vietnam
1996 – 1998	Relationship Manager of Deutsche bank AG HCMC, Vietnam
1992 – 1996	Credit officer of Vietcombank HCMC, Vietnam



Mr. FIACHRA MAC CANA

- Managing Director
- Co-head of Institutional Client Division

Date of appointment:	01 March 2008
Age:	52 years old
Education Level:	Bachelor of Commerce
Employment history:	
2008 – present	Managing Director of Research Department - Co-head of Institutional Client Division of HSC
2007 – 2008	Head of Research and Brokerage Division of VinaSecurities
2006 – 2007	Head of Research Department of VinaCapital
2003 – 2004	Co-founder of JCN network - a leader in Japanese corporate news
1997 – 2003	Head of Research for Japanese Equities at WestLB AG



Mr. BACH QUOC VINH

- Managing Director
- Head of Northern Region

Date of appointment:	17 August 2007
Age:	42 years old
Education Level:	Bachelor of Finance
Employment history:	
2007 – present	Managing Director - Head of Northern Region of HSC
2000 – 2007	Unit Manager of Northern branch and Branch Manager of General Agency franchise of Prudential at Nghe An and Ha Tinh
1997 – 2000	Sales Manager - Coca Cola Hanoi



Mr. PHAM NGOC BICH

- Managing Director
- Head of Corporate Finance Division

Date of appointment:	17 January 2016
Age:	61 years old
Education Level:	Master of Business Administration
Employment history:	
2016 – present	Managing Director of Corporate Finance Division of HSC
2010 – 2014	Managing Director of Saigon Securities Inc.
2007 – 2009	CEO of Prudential / Eastspring Vietnam Fund Management
1994 – 2007	VP then Managing Director of CIBC Global Asset Management, Canada, Hong Kong
1993 – 1994	Assistant VP – Derivative Trading of Credit Lyonnais Canada

SHAREHOLDER'S INFORMATION

DETAILS OF INSIDE SHAREHOLDERS AND SPOKESPERSON

No.	Name	Position	Number of shares owned as of 01/01/2016		Number of shares changed in shareholders' term		Number of shares owned as of 31/12/2016	
			Quantity	Percentage	Quantity	Percentage	Quantity	Percentage of ownership
A	BOARD OF DIRECTORS							
1	Mr. Do Hung Viet	Chairman	17,968	0.01%	-	-	17,968	0.01%
2	Mr. Nguyen Thanh Liem	Deputy Chairman	26,250,000	20.63%	-	-	26,250,000	20.63%
	Quantity of ownership							
	Quantity of representative							
	HCMC Finance and Investment State-owned Company (HFIC) (State-owned shareholder)		26,250,000	20.63%	-	-	26,250,000	20.63%
3	Mr. Le Anh Minh	Deputy Chairman	19,683,373	15.47%	-	-	19,683,373	15.43%
	Quantity of ownership		43,968	0.03%	-	-	43,968	0.03%
	Quantity of representative							
	Dragon Capital Markets Limited (DC)		19,639,405	15.43%	-	-	19,639,405	15.43%
4	Mr. Le Thang Can	Member	11,250,000	8.84%	-	-	11,250,000	8.84%
	Quantity of ownership							
	Quantity of representative							
	HCMC Finance and Investment State-owned Company (HFIC) (State-owned shareholder)		11,250,000	8.84%	-	-	11,250,000	8.84%
5	Mr. Pham Nghiem Xuan Bac	Member	360,000	0.28%	60,000	-	300,000	0.24%
6	Mr. Johan Nyvene	Member	20,151,071	15.83%	-	-	20,151,071	0.40%
	Quantity of ownership		511,666	0.40%	-	-	511,666	0.40%
	Quantity of representative							
	Dragon Capital Markets Limited (DC)		19,639,405	15.43%	-	-	19,639,405	15.43%
7	Mr. Le Hoang Anh	Member	-	-	-	-	-	-
	Total		77,712,412	61.07%	60,000	-	77,652,412	60.33%
B	MANAGEMENT TEAM							
1	Mr. Johan Nyvene	CEO	Same as AG					
2	Mr. Trinh Hoai Giang	Deputy CEO	123,665	0.10%	-	-	123,665	0.10%
3	Mr. Le Cong Thien	Deputy CEO	64,125	0.05%	-	-	64,125	0.05%
	Total		187,790	0.15%	-	-	187,790	0.15%
C	SUPERVISORY BOARD							
1	Mr. Vo Van Chau	Head of Supervisory Board	17,322	0.01%	-	-	17,322	0.01%
2	Mr. Doan Van Hinh	Member of Supervisory Board	4,687	0.004%	-	-	4,687	0.004%
3	Ms. Dang Nguyet Minh	Member of Supervisory Board	-	-	-	-	-	-
	TOTAL		22,009	0.02%	-	-	22,009	0.02%
D	CHIEF FINANCIAL OFFICER - SPOKESPERSON							
1	Mr. Lam Huu Ho	Chief Financial Officer	83,853	0.07%	-	-	83,853	0.07%
2	Mr. Hoang Cong Tuan	Spokesperson	-	-	-	-	-	-
	Total		78,006,064	61.30%	60,000	-	77,946,064	60.33%

Notes: (*) Mr. Johan Nyvene - Member of Board of Directors and CEO has dual citizenship: (1) US nationality named Johan Nyvene, (2) Vietnamese nationality named Nguyen Quoc Huan. All shares of HCMC which Mr. Johan Nyvene is holding belongs to a securities account named Nguyen Quoc Huan

SHAREHOLDER STRUCTURE WITH MAJOR SHAREHOLDERS AND SECURITIES COMPANIES

No.	Object	Number of stocks	Percentage of ownership (%)	Quantity	Shareholder structure (*)	
					Organization	Individual
1	Major Shareholders (above 5% ownership, not classified as Securities Companies)	-	-	-	-	-
	Domestic	-	-	-	-	-
	Foreign	-	-	-	-	-
2	Securities Companies (above 5% ownership)	76,778,810	60.33%	2	2	-
	Domestic	37,500,000	29.47%	1	1	-
	Foreign	39,278,810	30.87%	1	1	-
3	Securities Companies (less than 5% ownership)	23,907,346	18.79%	38	38	-
	Domestic	3,625,775	2.85%	20	2,000.00%	-
	Foreign	20,281,571	15.94%	18	1,800.00%	-
Total		100,686,156	79.12%	40	40	-

OWNERSHIP STRUCTURE

Category	Restricted transferable shares	Transferable shares	Total	Percentage of ownership (%)
I. Special Shareholders	-	77,946,064	77,946,064	61.25%
II. Treasury shares	-	101,390	101,390	0.08%
III. Other Shareholders	-	49,209,304	49,209,304	38.67%
1. Domestic	-	26,132,308	26,132,308	20.54%
Individual	-	21,635,633	21,635,633	17.00%
Organization	-	4,496,675	4,496,675	3.53%
In which state-owned	-	37,500,000	37,500,000	29.47%
2. Foreign	-	23,076,996	23,076,996	18.13%
Individual	-	353,379	353,379	0.28%
Organization	-	22,723,617	22,723,617	17.86%
Total	-	127,256,758	127,256,758	100.00%

SPECIAL SHAREHOLDERS

No.	Name of Organization/Individual	Number of stocks	Percentage of ownership (%)	Percentage of representatives (%)	CN restricted stocks
A. State Shareholder cum Strategic Shareholder (with above 5% ownership)					
1	HCMC Finance and Investment State-owned Company (HFIC)	37,500,000	29.47%		
1.1	Mr. Nguyen Thanh Liem	26,250,000		20.63%	
1.2	Mr. Hoang Dinh Thang	11,250,000		8.84%	
Total A		37,500,000	29.47%		
B. Major Shareholder cum Strategic Shareholder (with above 5% ownership)					
2	Dragon Capital Markets Limited (DC)	39,278,810	30.87%		
2.1	Mr. Le Anh Minh	19,639,405		15.43%	
2.2	Mr. Johan Nyvene	19,639,405		15.43%	
Total B		39,278,810	30.87%		
Total (A+B)		76,778,810	60.33%		

SHARES

Total number of shares	127,256,758	shares
Type of outstanding shares	Common	
Par value	10,000 VND/share	
Treasury shares	101,390	shares
Number of outstanding shares	127,155,368	shares
Number of restricted transferable shares	0	shares
Number of transferable shares	127,155,368	shares

SHAREHOLDER'S EQUITY RATIO

No.	Category	Stocks	Percentage of ownership (%)	Number of shareholders	Shareholder structure (*)	
					Organization	Individual
1	State Shareholders	37,500,000	29.47%	1	1	-
2	Major Shareholders (above 5% ownership)	39,278,810	30.87%	1	1	-
	Domestic	-	0.00%	-	-	-
	Foreign	39,278,810	30.87%	1	1	-
3	Treasury Shares	101,390	0.08%	-	-	-
4	Other Shareholders	50,376,558	39.59%	3,742	90	3,652
	Domestic	27,299,562	21.45%	3,628	63	3,565
	Foreign	23,076,996	18.13%	114	27	87
Total		127,256,758	100.00%	3,744	92	3,652
Including: Domestic		64,900,952	51.00%	3,629	64	3,565
Foreign		62,355,806	49.00%	115	28	87

TREASURY SHARES

Category	Number of treasury shares at 01/01/2016		Number of treasury shares change in term		Number of treasury shares at 31/12/2016	
	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage
Number of treasury shares	71,341	0.056%	30,049	0.024%	101,390	0.080%

Notes: In 2016, HSC has recovered 30,000 shares of one (04) off staffs involved in the program ESOP 2013 pursuant to regulations on issuing shares for major officers and acquired 49 odd lot shares from Investors.



SUSTAINABILITY CREATES OPPORTUNITIES

SUSTAINABILITY REPORT

A. OUTLINE OF THE SUSTAINABILITY REPORT

1. Introduction

Over recent years, sustainable development has become increasingly important to preserve the longevity and prosperity of businesses. As one of Vietnam's leading securities firm, HSC places high priority in concentrating its business operations pivoted around the economic, social and environmental aspects, which are crucial for long-term business sustainability. HSC continuously work towards pursuing its sustainable corporate objectives that are aligned with HSC's vision and mission. HSC's vision, "To become one of the country's most admitted, trusted, and valued financial institutions, and be an active contributor to the economy and community of Vietnam." sets the blueprint for HSC's sustainability framework. HSC's sustainability development model is based on delivering positive impacts to three entities: company, market and society.

To ensure that the sustainability credentials are properly communicated to the stakeholders, HSC's 2016 Sustainability Report strictly adheres to the disclosure requirements listed in the "Sustainability Reporting Handbook for Vietnamese Companies" developed by IFC. The IFC guidelines that are relevant for HSC are *Employment, Health and Safety, Capacity Development and Training, Anti-corruption, Labor Management Relations and Community Investment*. The adoption of the IFC guidelines – The IFC Sustainability Framework - enhances HSC's 2016 Sustainability Report with greater transparency, governance and accountability of HSC's sustainability objectives, performances and impacts. With this, HSC is able to drive innovations and enhancements that contribute to the business sustainability of HSC, thereby, bringing greater business value.

2. Our Sustainability Model

HSC's Sustainability Development Model

POSITIVE IMPACTS COMPANY

- Delivering stable and steady growth
- Offering value-added benefits and compensation to staff
- Fostering development of human resources
- Overseeing risk and compliance diligently
- Improving information transparency

POSITIVE IMPACTS MARKET

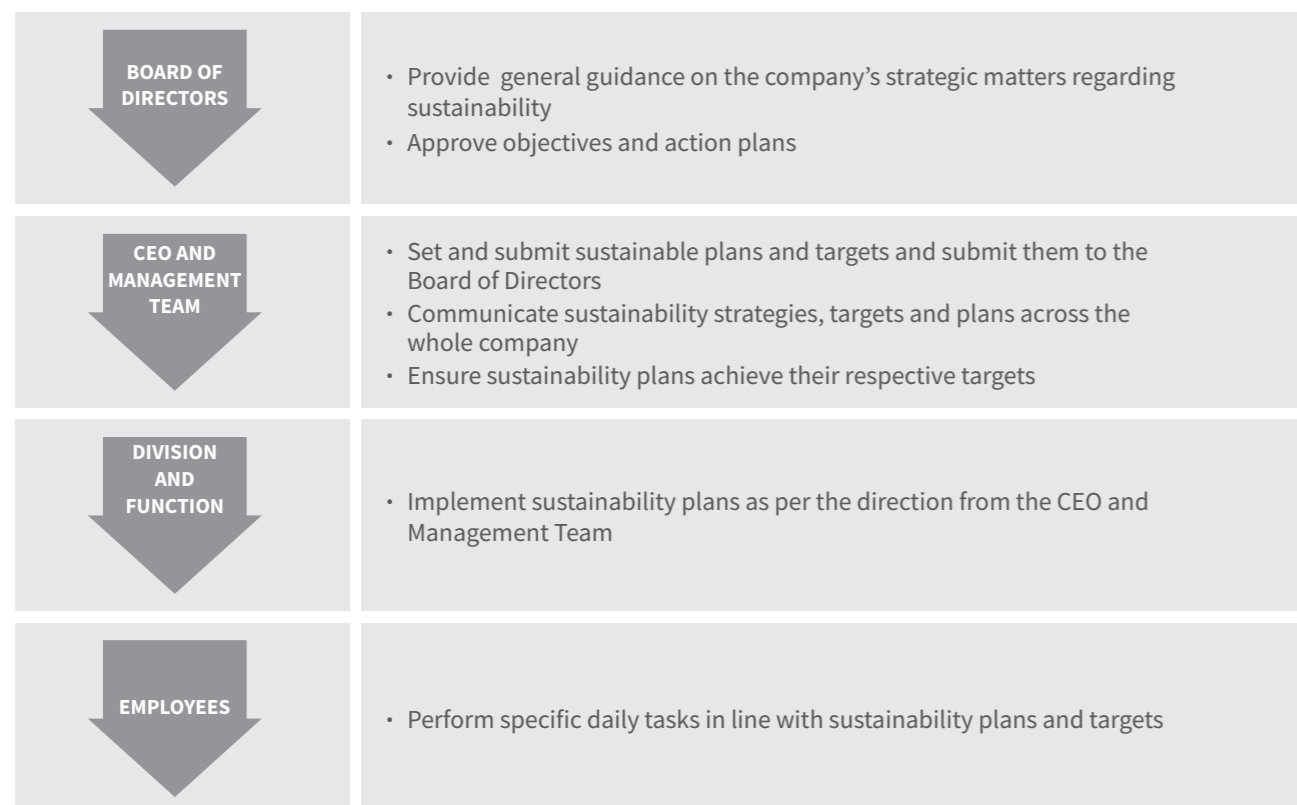
- Optimizing business value for shareholders and professional
- Enriching the development of the securities market
- Boosting capital capacity and increasing distribution channels
- Supporting Vietnam's economic development

POSITIVE IMPACTS SOCIETY

- Fulfilling business and financial commitments to the Government
- Contributing to community development
- Protecting the environment

Under the leadership of the Board of Directors, HSC constantly reviews its sustainability matters through proactive communication with its stakeholders. HSC's active engagement with its stakeholders ensures that effective solutions are implemented in line with HSC's sustainability strategy and direction. Likewise, sustainability agendas are adopted into the company's practice through the following governance model:

HSC's Sustainability Governance Model



3. Objectives of sustainability development at HSC

In 2016, HSC invested into various sustainability initiatives to drive growth and development opportunities within the company, securities market and societies in Vietnam. Through this, HSC has made significant contributions in the following aspects:

- Providing job security for employees;
- Contributing to the growth and development of the financial services industry;
- Enriching investors with better investment education and decision-making capabilities;
- Deploying capital to boost the Vietnam economy;
- Helping the growth of businesses with more efficient use of capital;
- Embracing strong corporate governance and business transparency;
- Developing opportunities for youth development and empowerment;
- Supporting communities towards enhancing quality of life.

In the next segment, we will explore HSC's positive impacts on company, market and societal aspects in more detail.

B. REVIEW OF SUSTAINABILITY DEVELOPMENT ACTIVITIES AT HSC

1. Positive Impacts To Company

1.1 Employment

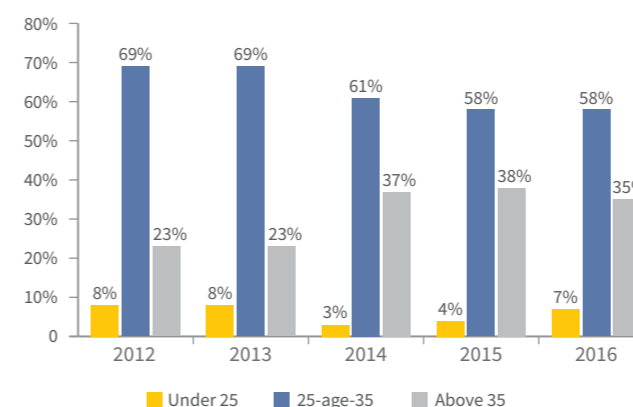
HSC's steady growth over recent years has strengthened its employment policies in terms of providing competitive salaries, remuneration and other benefits. The Company's salary payment policy asserts that employees' salaries are highly dependent on both divisional and individual performances. This policy is in compliance with government regulations. To establish a motivational basis for rewarding employees in a competitive and fair manner, HSC has designed and implemented a management system utilizing a Management by Objective methodology. This involves the identification of objectives and the measurement of results against these objectives to form the basis for important decisions involving salary, remuneration, training and development. The performance of all of HSC's employees is evaluated on an annual basis.

In 2016, HSC incurred over VND 163 billion in employees' salaries, insurance and remuneration, as detailed below:

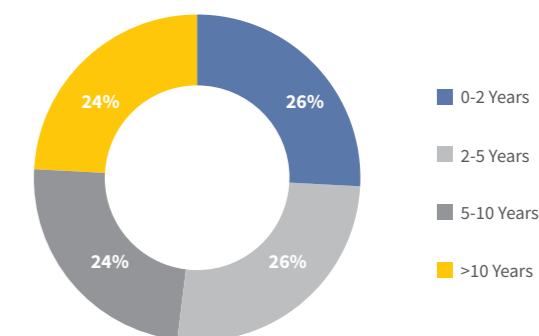
Description	FY2016 (VND)	FY2015 (VND)
Salaries	82,261,510,479	73,357,702,877
Social insurance, health insurance and union fee	11,961,205,002	10,971,071,000
Unemployment insurance expenses	667,208,998	591,940,000
Remuneration	68,928,650,022	54,567,739,809
Total	163,818,574,501	139,488,453,686

This segment focuses on the disclosure of workforce profile and diversity at HSC.

Total Employees by Age Range

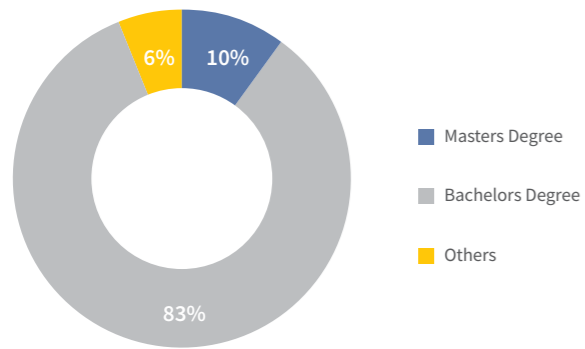


Employees by Service Length



The age range for HSC employees remained slanted towards the 25 to 35 age group, although the pattern is observed to be gradually diminishing as workers above the age of 35 increases over time. The increase in employees' age at HSC is primarily attributed to their loyal commitment of staying with the company as seen with the low turnover rate of 10%. To add on, almost half of total employees in HSC have committed more than five years of service to the company. The low turnover rate portrays HSC's positive working environment and appreciation for its employees.

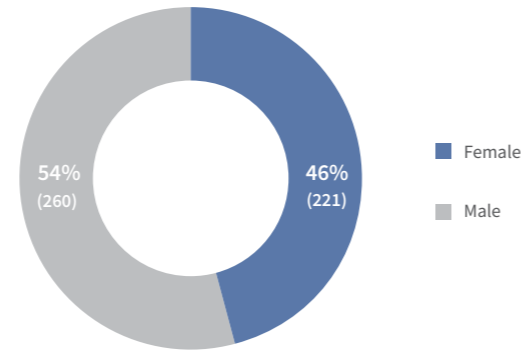
Employees by Education Level



Consecutively, the company also shows its intent in nurturing the growth of talents through in-house trainings in order to pursue growth in employees' knowledge and experiences parallel to the company's growth as a whole.

Majority of HSC employees achieved their highest qualifications at Bachelor's degree level, while the minority possesses Master's Degree or other types of education level. High employment of graduates with Bachelor's degree maintains HSC's standard of delivering high quality, competent financial services to its clients.

Employees by Gender



The balanced employment between male and female in HSC reflects the company's value in supporting gender equality in the workplace. HSC's recruitment policy is driven by the knowledge skill-set and industry experiences. This is evident whereby at least 93% of HSC's workforce possesses a Bachelor's degree or higher. It also mirrors the increasing number of women's participation in Vietnam's financial services industry and this is indicative of HSC's support for women empowerment

1.2 Health & Safety

The Health and Safety aspect of the IFC guidelines includes the policies and procedures implemented by HSC in securing the health, safety and wellbeing of its employees.

HSC regularly conducts fire drill trainings to build safety awareness in case of fire emergencies. With HSC's building located in a skyscraper, it is vital for employees to have knowledge about the various fire exit points and remain calm as they exit the building. Fire drills are present to ensure the safety and security of all employees. Moreover, HSC has developed roadmaps, highlighting safe zones that are useful for back and forth work travels in efforts to curb safety risks of travelling.

In order to alleviate the financial concerns of employees who are unfortunate enough to encounter accidents and/or serious sickness requiring high treatment costs in excess of their ability to pay, HSC partners with reputable insurance companies to provide premium insurance for employees and their relatives.

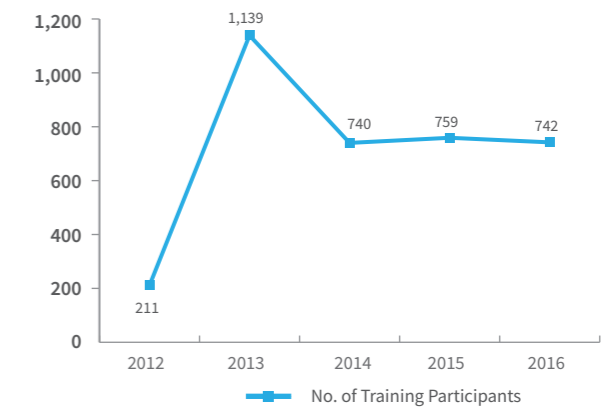
HSC staffs are entitled to premium benefit packages, including annual health-checks; 24-hour accident coverage and healthcare insurance; travel insurance. The Company's healthcare programs were substantially enhanced alongside with the Healthcare Insurance Policy prescribed in the Company's Labor Code. Besides that, HSC provides the opportunities for employees to have annual health-checks at internationally-recognized hospitals.

1.3 Capacity Development & Training

HSC places great importance for staff development opportunities in order to build work competencies and acquire higher skilled capacity in line with laying the foundations for HSC's future growth.

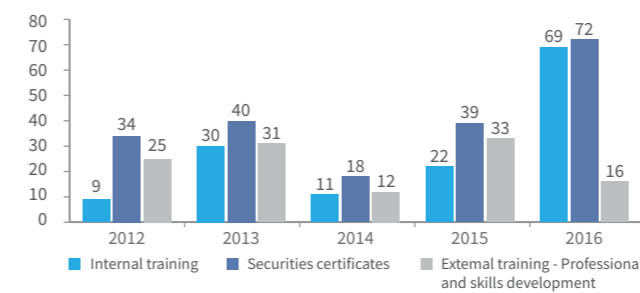
Over the years, HSC has intensified its investments into the development of employees' training at all levels, recognizing the value of quality execution in the financial services industry. Focusing on both internal training and securities market certifications, these trainings allow HSC to enhance employees' skills and credentials for the market and produce more industry experts within the company. At HSC, we have an employee development program in place such that this program encourages employees to pursue their higher education by which reimbursements will be made to employees upon successful completion of professional qualifications (i.e. CPA, ACCA, CFA, Legal, professional licenses as required by the State Securities Commission (SSC)).

Number of Training Participants

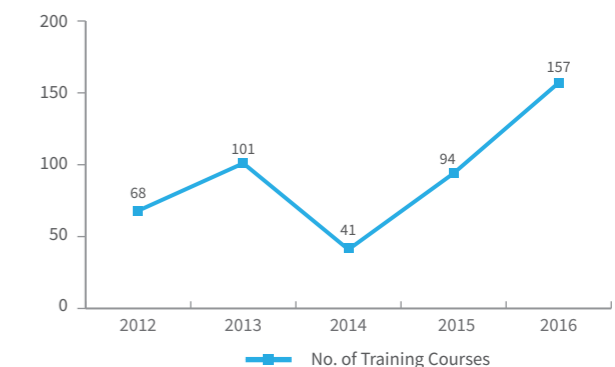


Employees' participation in HSC trainings has been consistently high in recent years. This is because regular trainings in the securities market are proven to be essential for HSC to gain a competitive edge and sustain HSC's competitive position within the industry.

Training Types



Number of Training Courses



The number of training courses provided by HSC multiplied from 2014 to 2016 in line with the growth of Vietnam’s securities market. With regular training courses, we recognize the need to provide consistent updates to enhance industry knowledge and expertise to achieve global standard practices. The growth in training programs created opportunities for employees to enhance their skillset that is crucial for them to advance through the increasingly competitive brokerage market. Skill enhancement of employees assures that products and services at HSC are equally augmented. In 2016, HSC successfully organized multiple Derivatives Market training courses that resulted in 99.9% of its attendees obtaining professional licenses for Derivatives trading.

1.4 Anti-corruption

Anti-corruption policies support HSC’s internal control system to maintain good governance and integrity of HSC’s business, providing assurance and security for shareholders in the legality of all-related business transactions and operations. The anti-corruption policies ensure that business corruption and malpractice are curbed as much possible. The anti-corruption policies adopted by HSC involve the following:

- **Code of Conduct** dictates that HSC’s employees are expected to abide by the highest standards of ethical conduct in terms of integrity, skill, care, diligence and good market conduct in their business relationships with each other, customers, competitors and the public. HSC’s Code of Conduct is fundamental to our ability to achieve our corporate sustainability objectives.
- **Personal Account Dealing Policy** denotes that disclosures of all personal trading transactions are compulsory and that personal interests should not supercede clients’ interests in order to protect the integrity and accountability of HSC.

- **Fraud Control Policy** has been established to outline the requirements for the development of controls that will assist in detecting, preventing and responding to Fraud. Fraud Control Policy Department BOM (EXCO) promotes consistent organizational behavior by providing guidelines in assigning key responsibilities for the development of controls and conduct of investigations when necessary enforces employee compliance for proper and accurate information disclosures reinforces the internal controls practiced at HSC, delivering better risk management.
- **Anti-Bribery and Corruption Policy** states HSC’s firm position in combating bribery and corruption. This policy involves providing information and guidance in recognizing and dealing with bribery and corruption. As such, this policy prohibits HSC employees from monopolizing their fiduciary responsibilities against the interest of clients to ensure that financial assets of clients are well-protected.
- **Conflict of Interest Policy** provides HSC with a framework to identify and manage conflicts of interest arising either from the Company itself. Its outlines detailed and systematic steps to limit the exposure of sensitive information to unauthorized parties in order to ensure that there is no abuse of conflict of interest at any point of time.
- **Delegation of Authority Policy (“DoAP”)** ensures the maintenance of appropriate expenditure that falls under the control of the management of HSC. The Board of Directors (BOD) Through this policy, Limits of Authority (LoA) has been established to monitor the budgeted and unbudgeted expenditures for the Company.

1.5 Other policies: Workplace enhancement and employee welfare

HSC also introduced several additional policies to improve the workplace environment and employee welfare to give a greater sense of belonging and appreciation for the company’s staff and they are listed as below:

Policies	Results
Emergency Supporting Policy	This policy assists employees who face financial difficulties by providing help for their family members or themselves. This policy is valid under the condition that they are required to perform efficiently at work. There is a considerable number of employees who have applied for this policy.
Working in Distance Policy	This policy has been effective in supporting employees who has had health problems or difficulties causing them to be physical challenged or having limited mobility for business travels.
Incentive Payment Policy	This policy is in addition to the base salary paid to the sales staff and service fee paid to the relevant external party. Both HSC staff and external party have the opportunity for additional earnings in the form of commission/referral fee as an incentive scheme to retain and attract them to stay and for doing a cross-selling activity for HSC’s business enhancement.

In order to support talent retention within HSC, HSC pioneered the HSC Employee Stock Ownership Plan (ESOP) program, it being one of our many initiatives targeted at attracting and retaining talent. The ESOP program is incorporated based on each individual’s ability and development potential and is designed to inspire dedication and commitment to HSC. This is our fifth ESOP program since its installation in 2007. The ESOP program has been a highly effectively tool in retaining talent, acknowledging and rewarding good work performance and enhancing employee engagement. In early of 2017, HSC issued 2.5 million shares priced at VND 18,000 per share. Through the 2016 ESOP Program, HSC subsidized 31% of its share value (i.e. VND 5,600 per share) to lend support for its employee to obtain ESOP in line with the shareholders’ benefits.

FY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
ESOP – Number of total share	1,016,800		836,900		1,610,000		1,200,000			2,500,000
% Headcount	100%		100%		16%		18%			21%

2. Positive Impacts To Market

As one of the leading securities companies in Vietnam, we are cognizant of the importance of our role in contributing to the market by spearheading innovations and developments of new products. Therefore, HSC is very active in supporting market innovations as the industry's game changer.

Particularly, as a member of the Market Development Advisory Council of Ho Chi Minh City Stock Exchange, HSC provides insights and expert recommendations on the trends and developments of local and global stock markets. We strongly support HOSE in developing strategic initiatives, effective and efficient policies, and in channeling important investments to develop securities market. HSC also responds to the needs of intermediary institutions, issuers, investors and market participants on technological challenges and new product innovations.

HSC is an active member in associations with State Securities (SSC), the Hanoi Stock Exchange (HNX) and Vietnam Securities Depository (VSD), leading strategic programs to build and develop Vietnam's derivatives market from its initial stages. HSC has contributed to product design, operational rules and regulations, accounting system and information system.

HSC is part of the "Action Team", which was formed through the collaboration among HOSE, SSC, VSD and other securities companies. The "Action Team" represents the cornerstone of the launch and incorporation of the Covered Warrant that is expected to be operational by Q3-2017.

In addition to the above, HSC also regularly contributed towards product and system enhancements such as improving ETF products, revising margin lending regulations and initiating administrative governance required by the State Bank of Vietnam ("SBV") transferring transaction function of government bonds from commercial banks to SBV.

2.1 Market development activities

- In January 2016, HSC participated in the Conference - Stock Market in 2016. This conference was hosted by the State Security Commission of Vietnam. At the conference, HSC and representatives from other organizations discussed various market goals for 2016 and then contributed their solutions to develop the stock market in the near future.
- In March 2016, HSC actively participated in a conference hosted by HNX and VSD promulgating the development model and strategy for the trading, clearing and settlement system for derivatives. The conference aimed of to help participants understand the model and the roadmap for the implementation of the new derivative system and of serving as a preparation to improve the coordination with HNX and VSD to successfully bring the derivatives into operation.
- On 18 March 2016, in HCMC, HSC hosted the 5th Meeting of Vietnam National Market Practice Group (VN NMPG) - a platform that facilitates information exchange between members of the stock market regarding various business aspects. The meeting is in line with the on-going efforts to standardize processes and services among market members to improve the operation of automatic trades among the parties. As one of the pioneer trading companies joining the new VSD system, Online Interactive Portal from July 2015, HSC shared its expertise on system deployment procedures such as building key processing elements, determining suitable business handling protocols and improving the integration of IT in system deployment. HSC also relayed the potential challenges during the deployment process with solutions that have been successful implemented at HSC.

- Introduction of Derivatives Product: With many investors eagerly waiting for the opening of Vietnam Derivatives Market, HSC took the first step in providing adequate education and knowledge on the upcoming derivatives market and its products. On 26 October, in collaboration with SSC, HSC organized an event to give investors a comprehensive background of the derivatives market, futures contracts and trading mechanisms to investors. This presented the opportunity for investors to receive useful updates on new products which would make investment activities to be more efficient.

At HSC, we believe that the purpose of a business is not concentrated only in reaping profits for shareholders but also involves contributing and participating in building a strong market for the country. In relation to that, we have always been diligent in bringing investment opportunities and expanding capital raising ability of local enterprises. We are and will continue to be a trusted consultant within the financial services industry for many retail and institutional clients.

2.2 Market connection activities

- In March 2016, CLSA, one of the leading securities firms in Asia, hosted an international conference for thousands of investors worldwide in Bangkok, Thailand. HSC connected and brought seven leading Vietnamese companies to the conference. During this conference, the Vietnamese companies were given ample opportunities to build their market presence and share insights of the growing maturity of the Vietnamese market to various large financial institutions and hedge funds. These opportunities enabled the firms to attract foreign investments into the Vietnamese market.

- "Vietnam Conference 2016" was another platform that helped link local companies to foreign investors. This conference was held in September 2016, drawing participation of more than 150 international investment firms while giving investment engagement opportunities to over 12 local companies. The conference gave a broad overview on the Vietnam economy for 2016 and introduced the market potential held by local markets in which bear lucrative benefits to foreign investors. The conference has helped to bridge available funds to investment needs and forge strong connections between international investors and leading Vietnamese companies within many industries (e.g. consumer goods, finance and banking, information technology, real estate etc.)
- With the aim of introducing investment opportunities in Vietnam stock market to foreign investors, in 05th May 2016, HSC and VInvestor Group co-organized a conference on 5 May 2016, connecting over 50 investors from Thailand with a number of Vietnamese companies. Needless to say, the Thai investors portrayed great enthusiasm and interest for Vietnam stock market and its potential high-growth companies.

3. Positive Impacts To Society

3.1 Financial responsibility to the Government

HSC is committed to the economic, social and environmental development of Vietnam, as evidenced by the significant contribution made through tax payments. This ranked HSC at 108th in the 2015 V1000, listing the 1,000 largest corporate income taxpayers in Vietnam. This list was generated by the Viet Nam Report Company and the Taxation Department.

HSC's ranking on V1000

FY	2010	2011	2013	2014	2015
HSC's Ranking	221	194	179	145	108

3.2 Labour Management Relations

Though it involves the most complicated employment relation matters, labor management relations is paramount to building a conducive and nurturing work environment, free of conflicts and obstacles that will hamper work motivation levels. Employees are at the heart of an organization's growth and sound management of labor relations helps organizations to effectively achieve its corporate objectives. In the light of this vision, HSC has devoted its resources into nursing good labor-employer relations.

Particularly, HSC has founded various recreational clubs including those involving tennis, soccer, badminton, yoga, books and photograph, all to help improve staff health, wellbeing and fraternity. HSC has organized multiple inter-company competitions to encourage active interactions with various parties from the securities industry. These competitions include HOSE Football, Football Tournament – Le Lai, HOSE Tennis, KPMG Badminton Tournament 2016 and HSC Badminton Tournament. For instance, the Football Tournament – Le Lai itself attracted nearly 300 participants who have greatly shown their spirit of sportsmanship. Through these competitions, HSC brought unity by forming close-knit relations between the management and the employees.

Moreover, HSC has worked closely with the Trade Union to hold meaningful activities for the company employees. Some of the events that were co-organized with the Trade Union are Mid Autumn's day with participation from 150 kids and employees, Woman's day with 150 participants, and Children's day with 150 kids and employees. The close collaboration with the Trade Union has promoted closer understanding and mutual trust between the labor and the management. With respect to this, HSC will continue to perform joint-exercises and initiate programs with the Trade Union to ensure that labor relations are adequately well managed developed.

Besides that, HSC's labor management relations extend to having large-scale events for its employees, some of which are Year-End Party (400 attendees), Team Briefing (300 attendees) and Cancer Seminar (100 attendees). These initiatives further improved HSC's labor relations by increasing satisfaction levels among its labor force and subsequently, reinforcing HSC as an employee-oriented corporation.

3.3 Community Investment

This aspect covers community investment and corporate social responsibility (CSR) activities, including the support through financial means.

HSC takes great pride in its corporate role to contribute to the development of society, including children. HSC views that education is a long-term investment and that every child in Vietnam should have access to proper education in order to build sustenance in life. Not only that, HSC supports leadership programs that carry the objective of nurturing future business leaders for the future of the country. HSC also participates in various community engagement programs such as visiting students dwelling in poor conditions of remote areas. The CSR initiatives held by HSC for 2016 are listed below:

3.3.1 Investment in the next generation

Donation of electronics to pupils: On 7 January 2016, HSC donated 15 computers and one laptop to teachers and students in An Boi Primary School located in Kien Xuong District, Thai Binh Province. These computers assisted students in the rural area in accessing to information technology, by that, increasing the pace of their learning ability. The contribution allows the students to be better equipped and knowledgeable to contribute to the development of Vietnam in future.

Career Orientation Meeting with Students of Educational Opportunity Vietnam ("SEO"): SEO is a partnership between two non-profit organizations - the local Interns in Vietnam and the US-based SEO which develops leadership potential among young and talented Vietnamese students from universities all around the world. As a partner and sponsors for SEO, HSC has provided internship opportunities and organized talks on career development and the professional finance environment.

HSC is a premium sponsor for AIESEC International Student Organization. AIESEC is a global youth organization that actively contributes to the global development by investing into leadership development experiences for Vietnamese youths. From 2014, HSC officially announced its affiliation with AIESEC Vietnam. As a national partner for AIESEC, HSC extends its internship opportunities to AIESEC Vietnam participants. HSC also directly supports orientations and training activities for the team of leaders as well as the students in Vietnam.

"Training and Practice" is the goal of HSC CSR activities with local universities. On 9 September 2016, HSC signed a MOU with the University of Economy and Finance HCMC (UEF) in order to strengthen internship programs and ensure job security for students. Following this event, 30 students from UEF visited HSC and had the opportunity to engage with our CEO, Mr. Johan Nyvene. Mr. Johan shared HSC's company background and the prospects and expectations one can gain from the financial sector. He also addressed other concerns and inquiries during the meet up. The UEF students also had the opportunity to learn about the actual operations of a securities broker with their visit to HSC's trading floor. With this, the UEF students wore great smiles and had expressed their great interest to work in the securities industry, particularly HSC.

Recruiting good human talents has been a top priority at HSC. On 18 September 2016, HSC participated in the FTU Career Day 2016 held at Foreign Trade University, a top university in Vietnam, with the objective of pooling in outstanding candidates into HSC and enhancing the quality of human resource at HSC. During the event, direct interviews were conducted by managers to rope in talents. This event involved over 3,000 students.

3.3.2 Community Investment – Philanthropic investment

HSC Hanoi Share the Love: The 2015 Year End Party of Ha Noi Branch was organized as a charity event with gift auction activities intended to raise funds. In its entirety, HSC managed to raise a total fund of over VND 100 million from this event. These funds were used to purchase Tet gifts (Lunar New Year gifts) for the poor who resided in Chieng Bom commune, Thuan Chau district, Son La province.

In 2016, HSC Charity Team also visited and shared love and affection to poor children in highland areas of Truong Son Mountain, Quang Ninh and Quang Binh.

Humanity Blood Donation 2016: HSC actively participated in the Human Blood Donation activity that took place at Thai Van Lung Branch on 18 November 2016. There were 56 registered people in which 52 were successful blood donors with donation of over 66 units of blood. This activity was highly appreciated due to its humanity cause of donating blood to those in need, knowing that blood can easily become a scarcity. A unit of blood can help save up three lives. HSC will continue to organize this event as its commitment to society.

Humanity Fund: This fund was initiated by employees of HSC in which employees volunteer to donate a part of their monthly salary to this fund. In 2016, there were nearly 20% of our employees participated in this fund. Although it was recently set up in the late of 2016, the Humanity Fund has relayed a big portion of medical funding in support for a case of cancer of a HSC staff. The statement, “*We are together, we care for each other*” carries a strong message of offering strong support when times are difficult or during emergencies.

C. TRANSPARENT COMMUNICATION – STAKEHOLDER ENGAGEMENT

HSC practices a 2-way, 360 degree dialogue process in efforts to drive transparent and accountable communication for its stakeholders. HSC engages with stakeholders by collating their perspectives and insights about a diverse range of sustainability matters done through the exchange of feedbacks and questions that are communicated through open channels. This stakeholder engagement process nurtures greater participation and support from stakeholders which adds value to the robustness of HSC’s business.

The dialogue process promotes good corporate governance with more effective and efficient diagnosis of sustainability performances, taking into account the good and the bad elements while immediately delivering swift response strategies. HSC incorporates the following communication channels to build quality interactions with its stakeholders with the aim to nurture its sustainable development process:

Stakeholders	Activities	Communication Channels
Employees	Quarterly team briefings Direct meeting to exchange ideas via programs: luncheon with CEO and Happy lunch	Internal communication channels: - Intranet - Telephones and emails - Internal training programs
Shareholders	Annual General Meeting Face-to-face meetings Investor relations channel including Q&A via HSC’s Investor Relations page: https://www.hsc.com.vn/en/investor/info-request/ir-contact Regular emails detailing business results	Publications: - Financial statements - Annual report - Quarterly Operation Updates
Clients / Investors	Workshops, seminars and conferences Meetings Call center with number: (+848) 3823 3298 Help Center : https://www.hsc.com.vn/en/help-center	Service supporting departments Other communication channels Emails: support@hsc.com.vn Letterbox for comments and suggestions, located at the transaction offices
Government Offices and Associations	Meetings Conferences Workshop	Annual report Monthly/quarterly reports as prescribed Other communication channels (i.e. website, email, phone)
Media / Press	Press conferences and interviews; Forums and workshops organized by the press industry; Quarterly Analyst Briefings to HSC’s financial results and strategic updates	Other communication channels: - Phones and emails - Q&A via HSC’s website, Communication page: https://www.hsc.com.vn/en/media/contact - Press releases
Professional associations and organizations	Membership in associations & clubs: - Vietnam Private Sector Forum (VPSF) - Vietnam Association of Financial Investor (VAFI) - Vietnam Association of Securities Business (VASB) - Vietnam Bond Market Association (VBMA) - Vietnam Business Council for Sustainable Development (VBSD) - CEO Club	Bill boards Reports as prescribed Other communication channels (i.e. website, email, phone)
Society	Activities supporting the youth through young persons and students organizations and universities; Community development activities, including providing assistance for differently abled people, and activities organized by NGOs and non-profit organizations.	Charity and donation events Environment and community activities - Coordinators & Action team: Charity Groups - Website: CSR page: https://www.hsc.com.vn/en/csr/contact

D. FOCUS FOR 2017

The focus for 2017 encompasses two focus areas of the internal aspect and external aspect of business sustainability.

The company's focus on the internal aspect mainly revolves around talent management within HSC, as we seek to enhance and retain talents. HSC rewards quality talents by providing incentives whether monetary or non-monetary, ensuring high retention rates. The company is also striving to pool in talents from all education levels in order to stay ahead of competitors, securing a sustainable stream of talent pool for the company.

The external aspect of sustainability emphasizes on employee community engagement that functions to enhance the lives of both HSC's employees and the local communities. HSC does not want to limit its community engagements solely on monetary charity, but instead, cultivate charity acts alongside with interactional activities that allows employees to engage with the community on a more personal and meaningful level. This would significantly increase HSC's presence in its CSR activities as community awareness is instilled among its staff. Community awareness that strongly ignites within HSC can be developed into a sustainable corporate culture.

E. CONTACT

For further information and comments in relation to HSC'2016 Sustainability Report, please contact:

Ms. Truong Ngoc Quynh Tien - Communication Director

Email: tien.tnq@hsc.com.vn

Tel: (+84 8) 3823 3299 (Ext. 124)

Address: Level 6, AB Tower, 76 Le Lai, Ben Thanh Ward, District 1, HCMC



**INTEGRITY SECURES
OPPORTUNITIES**

GENERAL INFORMATION

THE COMPANY

Ho Chi Minh City Securities Corporation (“the Company”) is a joint stock company incorporated under the Law on Enterprises of Vietnam pursuant to Business Registration Certificate No. 4103001573 issued by the Ho Chi Minh City Department of Planning and Investment on 23 April 2003, Business License No. 11/UBCK-GPHDKD issued by the State Securities Commission on 29 April 2003, and other amended licenses.

The Company’s head office is located at 5th and 6th Floor, AB Tower, 76 Le Lai Street, Ben Thanh Ward, District 1, Ho Chi Minh City. At 31 December 2016, the Company had branches located in Ho Chi Minh City and Hanoi, and transaction offices in Ho Chi Minh City and Hanoi.

The current principal activities of the Company are brokerage services, securities trading, underwriting for share issues, custodian services, finance and investment advisory services, and margin trading services.

THE BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of the financial statements include:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/Reappointment/Resign</i>
Mr. Do Hung Viet	Chairman	Reappointed on 21 April 2016
Mr. Le Anh Minh	Vice Chairman	Reappointed on 21 April 2016
Mr. Nguyen Thanh Liem	Vice Chairman	Reappointed on 21 April 2016
Mr. Pham Nghiem Xuan Bac	Member	Reappointed on 21 April 2016
Mr. Johan Nyvene	Member	Reappointed on 21 April 2016
Mr. Le Thang Can	Member	Reappointed on 21 April 2016
Mr. Le Hoang Anh	Member	Appointed on 21 April 2016
Mr. Trinh Hoai Giang	Member	Resigned on 21 April 2016

THE BOARD OF SUPERVISION

Members of the Board of Supervision during the year and at the date of the financial statements include:

<i>Name</i>	<i>Title</i>	<i>Date of reappointment</i>
Mr. Vo Van Chau	Chief Supervisor	Reappointed on 21 April 2016
Mr. Doan Van Hinh	Member	Reappointed on 21 April 2016
Ms. Dang Nguyet Minh	Member	Reappointed on 21 April 2016

GENERAL INFORMATION (continued)

MANAGEMENT

Members of management during the year and at the date of the financial statements include:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Johan Nyvene	Chief Executive Officer	Appointed on 15 May 2007
Mr. Trinh Hoai Giang	Deputy Chief Executive Officer	Appointed on 15 May 2007
Mr. Le Cong Thien	Deputy Chief Executive Officer	Appointed on 12 August 2013
Mr. Fiachra Mac Cana	Managing Director	Appointed on 1 March 2008
Mr. Bach Quoc Vinh	Managing Director	Appointed on 1 February 2010
Mr. Arnold V. Pangilinan	Managing Director	Appointed on 12 November 2012
Mr. Pham Ngoc Bich	Managing Director	Appointed on 7 January 2016
Mr. Henry Dickon Verey	Managing Director	Appointed on 15 November 2016

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr. Johan Nyvene, the Chief Executive Officer.

AUDITOR

The auditor of the Company is Ernst & Young Vietnam Limited.

REPORT OF THE MANAGEMENT

Management of Ho Chi Minh City Securities Corporation (“the Company”) is pleased to present its report and the financial statements of the Company for the year ended 31 December 2016.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the financial statements of each financial year which give a true and fair view of the financial position of the Company and of the results of its operations, its cash flows and its changes in equity for the year. In preparing those financial statements, management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether 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 its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying financial statements.

STATEMENT BY THE MANAGEMENT

Management hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016 and of the results of its operations, its cash flows and its changes in equity for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, accounting regulations and guidance applicable to securities companies and other statutory requirements relevant to preparation and presentation of financial statements.

For and on behalf of the Management:



Johan Nyvene

Chief Executive Officer

Ho Chi Minh City, Vietnam

30 March 2017

INDEPENDENT AUDITORS’ REPORT

Reference: 60790272/18609063

To: *The Shareholders of Ho Chi Minh City Securities Corporation*

We have audited the accompanying financial statements of Ho Chi Minh City Securities Corporation (“the Company”) as prepared on 30 March 2017 and set out on pages 103 to 156, which comprise the statement of financial position as at 31 December 2016, and the income statement, the cash flow statement and the statement of changes in equity for the year then ended and the notes thereto.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, accounting regulations and guidance applicable to securities companies and other statutory requirements relevant to preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ 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, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including 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 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.

Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Company as at 31 December 2016, and of the results of its operations, its cash flows, and its changes in equity for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, accounting regulations and guidance applicable to securities companies and other statutory requirements relevant to preparation and presentation of financial statements.



Saman Bandara
Deputy General Director
Audit Practicing Registration
Certificate No. 2036-2013-004-1

Ho Chi Minh City, Vietnam
30 March 2017

Vo Ngoc Minh
Auditor
Audit Practicing Registration
Certificate No. 2105-2013-004-1

STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

B01-CTCK

Code	Items	Notes	Ending balance VND	Beginning balance VND
100	A. CURRENT ASSETS		3,472,717,136,729	2,970,427,721,404
110	I. Cash and cash equivalents		3,468,203,146,189	2,965,609,834,770
111	1. Cash and cash equivalents	4	60,193,684,900	164,147,260,813
111.1	1.1. Cash		60,193,684,900	164,147,260,813
112	2. Financial assets at fair value through profit and loss (FVTPL)	6.1	306,371,695,555	132,174,873,494
114	3. Loans	6.2	2,750,945,233,394	2,609,604,774,530
116	4. Provision for impairment of financial asset at FVTPL	6.4	(19,997,479,770)	-
118	5. Advances to suppliers		424,654,405	511,650,108
119	6. Receivables from services provided by the Company	7	370,008,403,676	57,145,417,513
122	7. Other receivables	7	35,167,679,780	18,745,163,406
129	8. Provision for doubtful debts	7	(34,910,725,751)	(16,719,305,094)
130	II. Other current assets	8	4,513,990,540	4,817,886,634
131	1. Advances		433,534,797	154,469,078
133	2. Short-term prepaid expenses		4,052,697,143	4,637,718,956
134	3. Short-term deposits, collaterals and pledges		27,758,600	25,698,600
200	B. NON-CURRENT ASSETS		144,125,197,959	133,146,147,996
220	I. Fixed assets		9,116,376,326	10,305,668,048
221	1. Tangible fixed assets	9	5,630,956,930	5,406,970,081
222	1.1. Cost		45,772,044,510	43,397,152,620
223a	1.2. Accumulated depreciation		(40,141,087,580)	(37,990,182,539)
227	2. Intangible fixed assets	10	3,485,419,396	4,898,697,967
228	1.1. Cost		29,853,565,250	28,463,749,200
229a	1.2. Accumulated amortization		(26,368,145,854)	(23,565,051,233)
240	II. Constructions in progress	11	11,158,311,542	1,807,447,420
250	III. Other long-term assets		123,850,510,091	121,033,032,528
251	1. Long-term deposits, collaterals and pledges		4,718,807,750	4,688,159,350
252	2. Long-term prepaid expenses	12	96,160,834,900	99,512,289,868
253	3. Deferred tax assets	24	3,638,284,131	-
254	4. Deposit to Settlement Supporting Fund	13	19,332,583,310	16,832,583,310
270	TOTAL ASSETS		3,616,842,334,688	3,103,573,869,400

STATEMENT OF FINANCIAL POSITION (continued)

as at 31 December 2016

B01-CTCK

Code	Items	Notes	Ending balance VND	Beginning balance VND
300	A. LIABILITIES		1,224,924,883,425	824,024,542,338
310	I. Current liabilities		1,224,924,883,425	824,024,542,338
311	1. Short-term borrowings and financial leases	14	1,000,000,000,000	654,103,204,781
312	1.1. Short-term borrowings		1,000,000,000,000	654,103,204,781
318	2. Payables for securities transaction activities	15	32,610,005,800	33,854,472,337
320	3. Short-term payables to customers		2,936,065,430	2,132,789,448
322	4. Statutory obligations	16	39,140,841,363	27,383,031,945
324	5. Employee benefits		2,681,960,041	2,711,322,446
325	6. Short-term expense payables	17	23,851,769,991	17,970,571,764
329	7. Other current liabilities	18	108,811,108,212	70,582,809,538
331	8. Bonus and welfare fund		14,893,132,588	15,286,340,079
400	B. OWNERS' EQUITY		2,391,917,451,263	2,279,549,327,062
410	I. Capital		2,391,917,451,263	2,279,549,327,062
411	1. Share capital		1,581,839,121,491	1,582,140,489,041
411.1	1.1. Contributed capital		1,272,567,580,000	1,272,567,580,000
411.1a	1.1.1. Common shares		1,272,567,580,000	1,272,567,580,000
411.2	1.2. Share premium		310,343,798,499	310,343,798,499
411.5	1.3. Treasury shares		(1,072,257,008)	(770,889,458)
414	2. Capital supplementary reserve		117,012,921,701	101,786,372,631
415	3. Operational risk and financial reserve		117,012,921,702	101,786,372,632
426	4. Other funds belong to owners' equity		3,961,374,994	3,961,374,994
427	5. Undistributed earnings	19.2	572,091,111,375	489,874,717,764
427.1	5.1. Realized profit	21.2	628,246,013,560	547,779,193,929
427.2	5.2. Unrealized profit	21.2	(56,154,902,185)	(57,904,476,165)
440	TOTAL LIABILITIES AND OWNERS' EQUITY		3,616,842,334,688	3,103,573,869,400

STATEMENT OF FINANCIAL POSITION (continued)

as at 31 December 2016

B01-CTCK

OFF BALANCE SHEET ITEMS				
Code	ITEMS	Notes	Ending balance VND	Beginning balance VND
A. ASSETS OF THE COMPANY AND ASSETS MANAGED UNDER AGREEMENTS				
004	Bad debts handled	20.1	345,059,000	345,059,000
005	Foreign currency (original currency)	20.2		
	USD		45,182.58	40,192.22
	Yen		190,755	190,755
	Singapore Dollar		300	300
	Pound		100	-
	Taiwan Dollar		3,200	3,200
	Canada Dollar		100	100
006	Outstanding shares (shares)	20.3	127,155,368	127,185,417
007	Treasury shares (shares)	20.4	101,390	71,341
008	Financial assets of the Company listed/registered at VSD	20.5	74,178,610,000	43,903,110,000
009	Non-traded financial assets of the Company listed/registered at VSD	20.6	1,010,000	10,000
010	The Company's awaiting financial assets	20.7	2,099,960,000	1,569,680,000
012	Financial assets of the Company are not deposited at VSD	20.8	60,297,270,000	44,914,770,000
B. ASSETS AND PAYABLES UNDER AGREEMENT WITH INVESTORS				
021	Investors' financial assets listed/registered at VSD	20.9	12,992,363,100,000	10,264,716,910,000
021.1	Unrestricted and traded financial assets		10,695,622,580,000	9,417,540,880,000
021.2	Restricted financial assets		12,819,940,000	40,833,600,000
021.3	Mortgaged financial assets		1,964,810,500,000	561,031,770,000
021.4	Blocked financial assets		90,276,820,000	180,000,000
021.5	Financial assets awaiting settlement		228,833,260,000	245,130,660,000
022	Investors' non-traded financial assets deposited at VSD	20.10	38,878,010,000	14,605,130,000
022.1	Unrestricted and non-traded financial assets deposited at VSD		22,049,360,000	7,589,070,000

STATEMENT OF FINANCIAL POSITION (continued)

as at 31 December 2016

B01-CTCK

OFF BALANCE SHEET ITEMS (continued)

Code	ITEMS	Notes	Ending balance VND	Beginning balance VND
B. ASSETS AND PAYABLES UNDER AGREEMENT WITH INVESTORS (continued)				
022.2	Restricted and non-traded financial assets deposited at VSD		16,828,650,000	7,016,060,000
023	Investors' awaiting financial assets	20.11	219,655,840,000	241,716,160,000
026	Investors' deposits	20.12	581,883,723,061	493,009,558,764
027	Investors' deposits for securities trading activities managed by the Company		581,883,723,061	493,009,558,764
031	Payables to investors relating to deposits for securities trading activities managed by the Company	20.13	581,883,723,061	493,009,558,764
031.1	- Payables to domestic investors relating to deposits for securities trading activities managed by the Company		581,657,003,061	492,931,698,764
031.2	- Payables to foreign investors relating to deposits for securities trading activities managed by the Company		226,720,000	77,860,000

INCOME STATEMENT

for the year ended 31 December 2016

B02-CTCK

Code	ITEMS	Notes	Current year VND	Previous year VND
I. OPERATING REVENUE				
01	1. Revenue from financial assets at fair value through profit and loss (FVTPL)		99,024,690,204	88,926,268,079
01.1	1.1. Gain from sale of financial assets at FVTPL	21.1	61,894,006,092	28,569,176,193
01.2	1.2. Gain from revaluation of financial assets at FVTPL	6.3	5,246,169,979	-
01.3	1.3. Dividend, interest income from financial assets at FVTPL	21.3	31,884,514,133	60,357,091,886
03	2. Income from loans and receivables	21.3	343,656,813,084	222,636,416,529
06	3. Revenue from brokerage services	21.4	348,957,129,710	262,076,234,335
08	4. Revenue from securities investment advisory services	21.4	24,601,902,383	11,154,708,555
09	5. Revenue from custodian services	21.4	5,056,975,249	3,952,302,881
11	6. Other operating income	21.4	1,868,685,936	1,574,822,296
20	Total revenues from operating activities		823,166,196,566	590,320,752,675
II. OPERATING EXPENSES				
21	1. Loss from financial assets at FVTPL		(17,764,618,901)	(25,154,332,109)
21.1	1.1. Loss from sale of financial assets at FVTPL	21.1	(14,268,022,902)	(49,496,478,969)
21.2	1.2. Loss from revaluation of financial assets at FVTPL	6.3	(3,496,595,999)	24,342,146,860
24	2. Provision expenses for financial assets, bad debts written off and loss from impairment of financial assets and borrowing costs to loan	22	(65,564,043,908)	(7,390,345,537)
26	3. Expenses for self-trading activities	22	(23,567,021,196)	(11,949,061,177)
27	4. Expenses for brokerage services	22	(206,830,545,356)	(168,468,781,630)
29	5. Expenses for securities investment advisory services	22	(9,996,332,411)	(9,705,218,891)
30	6. Expenses for securities custodian services	22	(5,096,284,054)	(4,025,649,485)
32	7. Other operating expenses	22	(18,865,791,047)	(4,103,170,938)
40	Total operating expenses		(347,684,636,873)	(230,796,559,767)
III. FINANCIAL INCOME				
42	1. Revenue, accrued dividends, non-fixed interest income		1,078,380,134	818,225,135
50	Total financial income		1,078,380,134	818,225,135

INCOME STATEMENT (continued)

for the year ended 31 December 2016

B02-CTCK

Code	ITEMS	Notes	Current year VND	Previous year VND
62	VI. ADMINISTRATIVE EXPENSES	23	(91,966,241,312)	(88,870,264,003)
70	VII. OPERATING PROFIT		384,593,698,515	271,472,154,040
	VIII. OTHER INCOME EXPENSES			
71	1. Other income		789,590,907	28,037,441
80	Total other income		789,590,907	28,037,441
90	IX. PROFIT BEFORE TAX		385,383,289,422	271,500,191,481
91	1. Realized profit		383,633,715,442	247,158,044,621
92	2. Unrealized profit		1,749,573,980	24,342,146,860
100	X. CORPORATE INCOME TAX (CIT) EXPENSES	24	(80,852,308,119)	(58,190,091,220)
100.1	1. Current CIT expense		(84,490,592,250)	(58,190,091,220)
100.2	2. Deferred CIT income		3,638,284,131	-
200	XI. PROFIT AFTER TAX		304,530,981,303	213,310,100,261
400	TOTAL COMPREHENSIVE INCOME		304,530,981,303	213,310,100,261
500	XII. NET INCOME PER SHARE			
501	1. Basic earnings per share	25.4	2,395	1,598

STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

B02-CTCK

Code	ITEMS	Notes	Current year VND	Previous year VND
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	1. Net profit before tax		385,383,289,422	271,500,191,481
02	2. Adjustments for:			
03	- Depreciation and amortization	9, 10	5,921,197,566	5,506,890,305
04	- Provisions	6.4, 7	38,188,900,427	-
07	- Profits from investing activities		(789,590,907)	(27,909,091)
08	- Accrued interest	7	(1,817,395,834)	(2,178,573,612)
10	3. Increase in non-monetary expenses			
11	Loss from revaluation of financial assets at FVTPL	6.3	3,496,595,999	-
18	4. Decrease in non-monetary revenues			
19	Gain from revaluation of financial assets at FVTPL	6.3	(5,246,169,979)	(24,342,146,860)
30	5. Changes in operating assets and liabilities		425,136,826,694	250,458,452,223
31	(Increase)/decrease in financial assets at FVTPL		(172,447,248,081)	89,641,613,473
33	Increase in loans		(141,340,458,864)	(1,237,857,244,278)
37	(Increase)/decrease in receivables from services provided by the Company		(312,862,986,163)	583,814,371,138
39	(Increase)/decrease in other receivables		(14,518,124,837)	8,795,675,477
41	Increase/(decrease) in accrued expenses (excluding borrowing costs)		5,881,198,227	(6,538,502,831)
42	Decrease in prepaid expense		3,936,476,781	2,170,370,087
43	Corporate income tax paid	16	(74,560,483,150)	(54,941,674,651)
45	Decrease in trade payables		(441,190,555)	(612,245,380,452)
46	(Decrease) /Increase in employees benefit payables		(29,362,405)	572,870,453
47	Increase/(decrease) in tax payables (excluding corporate income tax paid)		1,748,741,225	(869,655,577)
50	Increase/(decrease) in other payables		27,223,376,032	(811,413,101)
52	Other payments for business operation		(2,811,774,119)	(22,686,278,609)
60	Net cash flows used in operating activities		(255,085,009,215)	(1,000,496,796,648)

STATEMENT OF CASH FLOWS (continued)
for the year ended 31 December 2016

B03b-CTCK

Code	ITEMS	Notes	Current year VND	Previous year VND
II. CASH FLOWS FROM INVESTING ACTIVITIES				
61	Purchase and construction of fixed assets		(14,082,769,966)	(9,196,409,972)
62	Proceeds from disposals of fixed assets and other long-term assets		868,550,000	30,700,000
70	Net cash flows used in investing activities		(13,214,219,966)	(9,165,709,972)
III. CASH FLOW FROM FINANCING ACTIVITIES				
72	Payments for capital of owners and repurchasing issued shares		(1,367,550)	(2,080,620)
73	Principal Borrowings	14	15,916,247,935,548	6,357,985,987,374
73.2	- Other borrowings		15,916,247,935,548	6,357,985,987,374
74	Payments for principal borrowings	14	(15,570,351,140,329)	(5,703,882,782,593)
74.3	- Other borrowings		(15,570,351,140,329)	(5,703,882,782,593)
76	Dividends and profits paid to shareholders		(181,549,774,401)	(266,685,973,510)
80	Net cash flows from financing activities		164,345,653,268	387,415,150,651
90	Net decrease in cash and cash equivalents during the year		(103,953,575,913)	(622,247,355,969)
101	Cash and cash equivalents at the beginning of the year	4	164,147,260,813	786,394,616,782
101.1	Cash		164,147,260,813	786,394,616,782
103	Cash and cash equivalents at the end of the year	4	60,193,684,900	164,147,260,813
103.1	Cash		60,193,684,900	164,147,260,813

STATEMENT OF CASH FLOWS (continued)
for the year ended 31 December 2016

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CASH FLOWS FROM BROKERAGE AND TRUST ACTIVITIES OF THE CUSTOMERS

Code	ITEMS	Notes	Current year VND	Previous year VND
I. CASH FLOWS FROM BROKERAGE AND TRUST ACTIVITIES OF THE CUSTOMERS				
01	1. Cash receipt from disposal of securities on behalf of customers		55,264,325,527,560	44,084,347,704,564
02	2. Cash payment for acquisition of securities on behalf of customers		(55,568,381,170,200)	(45,901,003,061,414)
07	3. Cash receipt from investors for trading securities		397,986,782,186	1,593,388,791,200
11	4. Cash payment for securities depository fee of customers		(5,056,975,249)	(3,952,302,881)
20	Net increase/(decrease) in cash during the year		88,874,164,297	(227,218,868,531)
30	II. CASH AND CASH EQUIVALENT OF THE CUSTOMERS AT THE BEGINNING OF THE YEAR		493,009,558,764	720,228,427,295
31	Cash at banks at the beginning of the year:			
32	Investors' deposits managed by the Company for securities trading activities		493,009,558,764	720,228,427,295
33	- Investors' deposits for trading securities		493,009,558,764	720,228,427,295
40	III. CASH AND CASH EQUIVALENT OF THE CUSTOMERS AT THE END OF THE YEAR (40 = 20 + 30)		581,883,723,061	493,009,558,764
41	Cash at banks at the end of the year:			
42	Investors' deposits managed by the Company for securities trading activities		581,883,723,061	493,009,558,764

STATEMENT OF CHANGES IN OWNER'S EQUITY

for the year ended 31 December 2016

ITEMS	Beginning balance		Increase/(decrease)				Ending balance	
	1 January 2015	1 January 2016	Previous year		Current year		31 December 2015	31 December 2016
	VND	VND	Increase VND	Decrease VND	Increase VND	Decrease VND	VND	VND
1. Share capital	1,582,583,569,661	1,582,140,489,041	(443,080,620)	-	(301,367,550)	-	1,582,140,489,041	1,581,839,121,491
1.1. Common shares	1,272,567,580,000	1,272,567,580,000	-	-	-	-	1,272,567,580,000	1,272,567,580,000
1.2. Surplus equity	310,343,798,499	310,343,798,499	-	-	-	-	310,343,798,499	310,343,798,499
1.3. Treasury shares	(327,808,838)	(770,889,458)	(443,080,620)	-	(301,367,550)	-	(770,889,458)	(1,072,257,008)
2. Operational risk and financial reserve fund	91,120,867,619	101,786,372,632	10,665,505,013	-	15,226,549,070	-	101,786,372,632	117,012,921,702
3. Capital supplementary reserve	91,120,867,618	101,786,372,631	10,665,505,013	-	15,226,549,070	-	101,786,372,631	117,012,921,701
4. Other funds belonging to owners' equity	3,961,374,994	3,961,374,994	-	-	-	-	3,961,374,994	3,961,374,994
5. Undistributed profit	589,443,929,500	489,874,717,764	213,310,100,261	(312,879,311,997)	304,530,981,303	(222,314,587,692)	489,874,717,764	572,091,111,375
5.1. Realized profit	671,690,552,525	547,779,193,929	188,967,953,401	(312,879,311,997)	302,781,407,323	(222,314,587,692)	547,779,193,929	628,246,013,560
5.2. Unrealized loss	(82,246,623,025)	(57,904,476,165)	24,342,146,860	-	1,749,573,980	-	(57,904,476,165)	(56,154,902,185)
TOTAL	2,358,230,609,392	2,279,549,327,062	234,198,029,667	(312,879,311,997)	334,682,711,893	(222,314,587,692)	2,279,549,327,062	2,391,917,451,263

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2016

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1. CORPORATE INFORMATION

Ho Chi Minh City Securities Corporation (“the Company”) is a joint stock company incorporated under the Law on Enterprises of Vietnam pursuant to Business Registration Certificate No. 4103001573 issued by the Ho Chi Minh City Department of Planning and Investment on 23 April 2003, Business License No. 11/UBCK-GPHDKD issued by the State Securities Commission on 29 April 2003, and other amended licenses.

The current principal activities of the Company are brokerage services, securities trading, underwriting for share issues, custodian services, finance and investment advisory services, and margin trading services.

The Company's head office is located at 5th and 6th Floor, AB Tower, 76 Le Lai Street, Ben Thanh Ward, District 1, Ho Chi Minh City. At 31 December 2015, the Company had branches located in Ho Chi Minh City and Hanoi, and transaction offices in Ho Chi Minh City and Hanoi.

The number of the Company's employees as at 31 December 2016 was 701 persons (31 December 2015: 679 persons).

Main features of operation of the Company

Capital size

As at 31 December 2016, the Company's share capital amounted to VND1,272,567,580,000, while its owners' equity was VND2,391,917,451,263 and its total assets were VND3,616,842,334,688.

Investment target

Being a listed securities company in the Vietnamese securities market, the Company's aims are to contribute to the development of the securities market and bring benefits to customers, investors and shareholders of the Company.

Investment restrictions

The Company complies with regulations at Article 44 of Circular No. 210/2012/TT-BTC dated 30 November 2012 promulgating the establishment and operation of securities companies, Circular No. 07/2016/TT-BTC dated 18 January 2016 amending and supplementing certain articles of Circular No. 210/2012/TT-BTC and current regulations on investment restrictions.

2. BASIS OF PREPARATION

2.1 Accounting Standards and System

The financial statements of the Company (the “Company”) expressed in Vietnam dong (“VND”), are prepared in accordance with the Vietnamese Enterprise Accounting System, the accounting policies applicable to securities companies as set out in Circular No. 210/2014/TT-BTC dated 30 December 2014 providing guidance on accounting policies applicable to securities companies, Circular No. 334/2016/TT-BTC dated 27 December 2016 amending, supplementing and replacing Appendix 2 and Appendix 4 of Circular No. 210/2014/TT-BTC, Circular No. 146/2014/TT-BTC dated 6 October 2014 providing guidance on financial regime applicable to securities companies and Vietnamese Accounting Standards as per:

- ▶ Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- ▶ Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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2. BASIS OF PREPARATION (continued)

2.1 Accounting Standards and System (continued)

- ▶ Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- ▶ Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- ▶ Decision No. 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 5).

2.2 Registered accounting documentation system

The Company's applied accounting documentation system is the General Journal system.

2.3 Fiscal year

The Company's fiscal year starts on 1 January and ends on 31 December.

2.4 Accounting currency

The financial statements are prepared in VND which is also the Company's accounting records in VND.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Change in accounting policies and disclosures

On 30 December 2014, the Ministry of Finance issued Circular No. 210/2014/TT-BTC providing guidance on accounting policies applicable to securities companies ("Circular 210"). This Circular replaces Circular No. 95/2008/TT-BTC dated 24 October 2008 of the Ministry of Finance providing guidance on accounting policies applicable to securities companies and Circular No. 162/2010/TT-BTC dated 20 October 2010 amending and supplementing Circular No. 95/2008/TT-BTC. Circular 210 is applicable to fiscal year beginning on or after 1 January 2016. Circular 210 prescribes contents of accounting vouchers, system of accounting accounts as well as method of preparing and presenting the financial statements of securities companies.

On 27 December 2016, the Ministry of Finance issued Circular No. 334/2016/TT-BTC amending, supplementing and replacing Appendix 02 and 04 of Circular No. 210/2014/TT-BTC dated 30 December 2014 ("Circular 334").

Circular 210 and Circular 334 leads to the following significant changes:

- ▶ Changes in name and content of the financial statements: balance sheet is renamed as statement of financial position, statement of profit or loss is renamed as income statement, statement of cash flows from brokerage and trust activities of investors is separately presented as a part of the basic financial statements.
- ▶ Financial assets are categorized into four groups: financial assets at fair value through profit and loss, available-for-sale financial assets, held-to-maturity investments and loans.
- ▶ Assets and liabilities of securities companies and investors (including deposits, securities investment and payable accounts) are separately managed.

In addition, Circular 210 and Circular 334 provides the guidance on measurement of financial assets as follows:

- ▶ Financial assets at fair value through profit and loss (FVTPL): are recognized at cost or recognized at fair value if complying with current securities regulations. Changes in fair value of these assets is recognized in the income statement.
- ▶ Available-for-sale (AFS) financial assets: are recognized at fair value. Any gain or loss arising from revaluation of AFS financial assets is recognized directly in owners' equity (Other comprehensive income), through statement of changes in owners' equity, except for loss from impairment of AFS financial assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Change in accounting policies and disclosures (continued)

- ▶ Held-to-maturity (HTM) financial assets: are recognized at amortized cost based on effective interest rate method.
- ▶ Loans: are recognized at amortized cost based on effective interest rate method.

Circular 210 and Circular 334 are applied for fiscal year beginning from or after 1 January 2016.

The Company has restated its comparative figures of previous year in accordance with Circular 210 and Circular 334's requirements as presented in Note 25.6.

3.2 Standards issued but not yet taken effect

On 20 November 2015, the National Assembly of Vietnam passed the Law on Accounting No. 88/2015/QH13 ("the new Accounting Law"). The new Accounting Law extends its governing scope to electronic accounting documents and allows the application of fair value concept for some types of assets and liabilities which their value frequently varies due to market fluctuation, provided that the fair value of these assets and liabilities can be reliably determined. The new Accounting Law takes effect from 1 January 2017.

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and short-term, highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

Cash deposited by customers for securities trading and cash deposited by securities issuers are presented at off-balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial assets at fair value through profit and loss (FVTPL)

Financial assets recognized at fair value through profit and loss are financial assets that satisfy either of the following conditions:

- a) It is classified as held for trading. A financial asset is classified as held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
 - there is evidence of a recent actual pattern of short-term profit-taking; or
 - it is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
- b) Upon initial recognition, a financial asset is designated by the entity at fair value through profit and loss as it meets one of the following criteria:
 - The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the asset or recognising gains or losses on a different basis; or
 - The assets and liabilities are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets at FVTPL are initially recognized at cost and subsequently recognized at cost less the reduction in the fair value of these financial assets as the prevailing securities regulations does not allow the use of fair value concept.

Transaction costs relating to the purchase of the financial assets at FVTPL are recognized when incurred as expenses for proprietary trading in the income statement.

3.5 Loans

Loans are non-derivative financial assets with fixed or identifiable payments and not listed on the market, with the exceptions of:

- a) The amounts the entity has the intent to immediately sell or will sell in a near future which are classified as assets held for trading, and like those which, upon initial recognition, the entity categorized as such recognized at fair value through profit or loss statements;
- b) The amounts categorized by the entity as available for sale upon initial recognition; or
- c) The amounts whose holders cannot recover most of the initial investment value not due to credit quality impairment and which are categorized as available for sale.

Loans are recognized initially at cost. After initial recognition, loans are subsequently measured at amortized cost using the effective interest rate ("EIR").

Amortized cost of loans is the amount at which the financial asset is measured at initial recognition minus (-) principal repayments, plus (+) or minus (-) the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Provision for impairment of financial assets

Provision for impairment of financial assets

Financial assets are assessed at the reporting date whether there is objective evidence that the assets are impaired.

Provision for impairment of transferable securities is the difference between the book value and market value of the financial assets as at the latest transaction date but not exceed one month compared to making provision date in accordance with Circular No. 146/2014/TT-BTC and Circular No. 228/2009/TT-BTC. Any increase or decrease in balance of provision is recognized in "Provision expense for financial assets, bad debts written off, impairment of financial assets and borrowing costs to finance for loans".

Market value/fair value of the securities is determined on the following basis:

- ▶ For securities listed on Hanoi Stock Exchange and Ho Chi Minh City Stock Exchange, their market prices are their closing prices on the trading day preceding the date of setting up the provision.
- ▶ For securities have not listed on Stock Exchange but registered for trading on the unlisted public company market (UPCom), their market prices are their average closing prices on the trading day preceding the date of setting up the provision.
- ▶ For the delisted securities and suspended trading securities from the sixth day afterward, their prices are the book value at the latest financial report date.
- ▶ The market price for unlisted securities and securities unregistered for trading used as a basis for setting up the provision is the average of actual trading prices quoted by 3 securities companies conducting transactions within one month before the date of setting up the provision.

Provision for loans is made based on the expected loss which is calculated as the difference between market price of securities pledged for loans and outstanding loan balance.

For securities which do not have reference prices from the above sources, the impairment is determined based on the financial performance and the book value of securities issuers as at the assessment date.

3.7 Derecognition of financial assets

A financial asset (part of a group of similar financial assets) is derecognized when:

- ▶ The rights to receive cash flows from the asset have expired; or
- ▶ The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
 - the Company has transferred substantially all the risks and rewards of the asset, or
 - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

B09-CTCK

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Derecognition of financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3.8 Financial assets reclassification

Reclassification when disposing financial assets which are not recognized at FVTPL

The Company which disposes financial assets which are not financial assets at FVTPL is required to reclassify financial assets from other related groups to financial assets at FVTPL.

Reclassification due to change in intention or holding capability

The Company is allowed to reclassify financial assets into other groups as the result of change in its attention or holding ability.

Non-derivative FVTPL financial assets which are not required to classify into FVTPL at initial recognition can be reclassified into loans and receivables in certain special circumstances or cash and cash equivalents if it meets the conditions to be classified in this group. Loss recorded from revaluation of financial asset at FVTPL before reclassification will not be reversed.

If the Company changes its intention or holding ability, the classification of an investment into held to maturity is no longer suitable. This investment must be reclassified to financial assets at AFS and revaluated at cost less provision for diminution (if any) as the prevailing Law on Accounting does not allow the use of fair value concept.

3.9 Receivables

Receivables are initially recorded at cost and subsequently presented at cost in the following periods.

Receivables are subject to review for impairment based on their overdue status or estimated loss of undue receivables from economic entities which fall bankruptcy or are undergoing dissolution procedures; or from debtors who are missing, have fled, are prosecuted, detained or tried by law enforcement bodies, are serving sentences or have deceased. Increase or decrease to the provision balance is recorded as "operating expenses" in the income statement.

Provision for overdue receivables is made in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by the Ministry of Finance as follows:

<i>Overdue period</i>	<i>Provision rate</i>
From six (6) months to less than one (1) year	30%
From one (1) year to less than two (2) years	50%
From two (2) years to less than three (3) years	70%
From three (3) years and above	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

B09-CTCK

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises of its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the income statement as incurred.

When tangible fixed assets are sold or retired, their costs and accumulated depreciation are removed from the statement of financial position and any gain or loss resulting from their disposal is included in the income statement.

3.11 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortization.

The cost of an intangible fixed asset comprises of its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use.

Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the income statement as incurred.

When intangible fixed assets are sold or retired, their costs and accumulated amortization are removed from the statement of financial position and any gain or loss resulting from their disposal is included in the income statement.

3.12 Depreciation and amortization

Depreciation and amortization of tangible fixed assets and intangible assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Transportation vehicles	6 years
Office equipment	3 - 5 years
Computer software	3 - 4 years

3.13 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the statement of financial position and amortized over the period for which the amount are paid or the period in which economic benefit are generated in relation to these expenses.

The following types of expenses are recorded as long-term prepaid expense and are amortized to the income statement over two (02) to forty (40) years:

- ▶ Office renovation costs;
- ▶ Office rentals; and
- ▶ Office equipment costs.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

as at and for the year ended 31 December 2016

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.14 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date (“repos”) are not derecognized from the financial statements. The corresponding cash received is recognized in the financial statements as a liability. The difference between the sale price and repurchase price is recognized as interest expense and is accrued over the life of the agreement using the straight-line method.

Conversely, securities purchased under agreements to resell at a specified future date (“reverse repos”) are not recognized in the financial statements. The corresponding cash paid is recognized in the statement of financial position as an liability. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the straight-line method.

For overdue commitments, the Company considers to make provision base on the aging of commitments or expected losses in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by the Ministry of Finance.

3.15 Payables and accruals

Payables and accruals are recognized for amounts to be paid in the future for interest of convertible bonds goods and services received, whether or not billed to the Company.

3.16 Employee benefits

3.16.1 Post-employment benefits

Post-employment benefits are paid to retired employees of the Company by the Social Insurance Agency which belongs to the Ministry of Labor and Social Affairs. The Company is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 18% of an employee’s basic salary on a monthly basis. The Company has no further obligation to fund the post-employment benefits of its employees, other than the liability to pay the Social Insurance Agency on a monthly basis.

3.16.2 Provision for retrenchment allowance

Retrenchment allowance occurs as a result of a constructive obligation to restructure when the Company has a detailed and formal plan for restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Retrenchment allowance is provided at the rate of one month’s salary for each working year up to 31 December 2008 and the minimum amount for each employee is two months’ salary in accordance with the Labor Code and related implementing guidance. From 1 January 2009, the average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date. The increase in this provision will be accounted in income statement.

According to current regulation the Company is obliged Provision for retrenchment allowance fund used for payment of unemployment allowance arising termination labor contract.

3.16.3 Unemployment benefits

According to current regulation the Company is required to pay unemployment insurance at 1% of salary of employees who participate in the unemployment program and deduct 1% from each employee’s basic salary.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

as at and for the year ended 31 December 2016

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.17 Foreign currency transactions

Transactions in currencies other than the Company’s reporting currency of VND are recorded at the actual transaction exchange rates of commercial banks at transaction dates. At the end of the year, monetary balances denominated in foreign currencies are determined as follows:

- ▶ Monetary assets are translated at buying exchange rate of the commercial bank where the Company conducts transactions regularly.
- ▶ Monetary liabilities are translated at selling exchange rate of the commercial bank where the Company conducts transactions regularly.

All foreign exchange differences incurred during the year and arisen from the revaluation of monetary accounts denominated in foreign currencies at the end of the year are taken to the income statement.

3.18 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss upon purchase, sale, issue or cancellation of the Company’s own equity instruments.

3.19 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is determined according to fair value of receivables which were received or not after deducted trading discounts, price reductions and returned goods. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from brokerage activities

Where the contract outcome can be reliably measured, revenue is recognized by reference to the stage of completion. Where the contract outcome cannot be reliably measured, revenue is recognized only to the extent of the expenses recognized which are recoverable.

Revenue from trading securities

Revenue from securities trading is recognized on the basis of the difference between selling price and cost of securities sold.

Revenue from securities repurchase and reverse repurchase agreements

Revenue from securities repurchase and reverse repurchase agreements is recognized over the life of the agreement using the straight-line method.

Interest income

Revenue is recognized as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

Dividend

Income is recognized when the Company’s entitlement as an investor to receive the dividend is established, except for dividend received in shares which only changing number of shares is reflected the Company’s investment portfolio.

Rendering of other services

Where the contract outcome can be reliably measured, revenue is recognized by reference to the stage of completion.

Where the contract outcome cannot be reliably measured, revenue is recognized only to the extent of the expenses recognized which are recoverable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Revenue recognition (continued)

Other income

Revenues from irregular activities other than turnover-generating activities are recorded to other incomes as stipulated by VAS 14 – “Revenue and other income”, including: Revenues from asset liquidation and sale; fines paid by customers for their contract breaches; collected insurance compensation; collected debt which had been written off and included in the preceding period expenses; payable debts which are now recorded as revenue increase as their owners no longer exist; collected tax amounts which now are reduced and reimbursed; and other revenues.

3.20 Borrowing cost

Borrowing cost comprised interest expense and other expense related directly to the Company’s loans.

Borrowings costs are recognized on the accrual basis into the income statement.

3.21 Cost of securities sold

The Company applies the moving weighted average method to calculate cost of equity securities sold and the specific identification method to calculate cost of debt securities sold.

3.22 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the statement of financial position.

Current income tax is charged or credited to the income statement, except when it relates to items recognized directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilized, except where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Taxation (continued)

Deferred income tax (continued)

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Previously unrecognized deferred income tax assets are re-assessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset realized or the liability is settled based on tax rates and tax laws that have been enacted at the statement of financial position date.

Deferred tax is charged or credited to the income statement, except when it relates to items recognized directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxable entity and the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.23 Owners’ equity

Contributed capital from shareholders

Contributed capital from stock issuance is recorded at account charter capital in par value.

Undistributed profit

Undistributed profit comprises of realized and unrealized undistributed profit.

Unrealized profit of the year is total difference between gain or loss arising from revaluation of financial assets at FVTPL or other financial assets which are in the financial assets portfolio of the Company, charged into the income statement.

Realized profit during the year is the net difference between total revenue, income and total expenses in the income statement of the Company, except for gain or loss arising from revaluation of financial assets recognized in unrealized profit.

Reserve

According to Circular No. 146/2014/TT-BTC issued by the Ministry of Finance on 6 October 2014, securities companies are required to make appropriation of profit after tax to make the following reserves:

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Owners' equity (continued)

	Percentage of profit after tax	Maximum level
Charter capital supplementary reserve	5%	10% of share capital
Financial and operational risk reserve	5%	10% of share capital

Other reserves are created in accordance with the Resolution of the General Meeting of Shareholders.

Financial and operational risk reserve is used to compensate for remaining loss, property damage arising in business after receiving indemnity from related organization, individual, insurance company.

3.24 Appropriation of net profits

Net profit after tax is available for appropriation to investors/shareholders after approval by the shareholders at the Annual General Meeting, and after making appropriation to reserve funds as required by the Company's Charter and Vietnam's regulatory requirements.

3.25 Item with nil balance

The items those are not presented in the financial statements according to Circular No. 210/2014/TT-BTC dated 30 December 2014, Circular No. 334/2016/TT-BTC dated 27 December 2016 and Circular No.146/2014/TT-BTC dated 6 October 2014 issued by the MOF are items with nil balance.

4. CASH AND CASH EQUIVALENTS

	Ending balance VND	Beginning balance VND
Cash on hand	614,575,794	720,277,993
Cash at banks for the Company's operation	59,579,109,106	163,426,982,820
Total	60,193,684,900	164,147,260,813

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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5. VALUE AND VOLUME OF TRADING RESULTS IN THE YEAR

	Trading volume in the year (units)	Trading value in the year VND
a. The Company	158,287,247	8,291,248,664,840
- Shares	103,287,247	2,503,711,664,840
- Bonds	55,000,000	5,787,537,000,000
b. Investors	8,340,677,042	281,015,981,320,673
- Shares	7,187,322,623	163,361,646,886,860
- Bonds	1,153,354,419	117,654,334,433,813
Total	8,498,964,289	289,307,229,985,513

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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6. FINANCIAL ASSETS

6.1 Financial assets at fair value through profit and loss (FVTPL)

	Ending balance		Beginning balance	
	Cost VND	Fair value VND	Cost VND	Fair value VND
Listed shares	116,041,876,192	115,341,556,730	80,439,156,111	72,922,670,698
FPT Corporation (FPT)	28,077,095,326	26,598,176,000	722,298,603	724,065,300
The gioi Di dong Joint Stock Company (MWG)	18,645,308,328	19,187,220,000	470,291,858	471,628,000
GTNFOODS Stock Company (GTN)	17,500,085,500	20,750,083,000	-	-
SaiGon Beer Alcohol and Beverages Joint Stock Corporation (SAB)	15,239,160,000	15,675,633,000	-	-
ETF VFMVN30 Fund (VFMVN30)	10,603,043,078	10,798,506,000	8,453,323,529	8,677,824,000
Viettronics Tan Binh Joint Stock Company (VTB)	8,168,464,212	5,532,492,800	8,168,464,264	5,618,938,000
Other shares	17,808,719,748	16,799,445,930	62,624,777,857	57,430,215,398
Unlisted shares	246,484,721,548	191,030,138,825	109,640,193,548	59,252,202,796
VietFund Managent	21,803,640,000	21,803,640,000	21,803,640,000	21,803,640,000
HD Saison Finance Co., Ltd	17,000,000,000	17,000,000,000	17,000,000,000	17,000,000,000
DongA Joint Stock Commercial Bank	16,967,999,502	1,511,472,000	16,967,999,502	5,542,064,000
Tan Binh Real Estate Joint Stock Company	12,025,000,000	6,300,000,000	12,025,000,000	6,520,500,000
Ca Mau Seafood Joint Stock Company	10,950,000,000	585,000,000	10,950,000,000	585,000,000
Minh Hai Export Frozen Seafood Processing Joint-Stock Company	8,000,000,000	330,000,000	8,000,000,000	330,000,000
Special Aquatic Products Joint-Stock Company	7,550,000,000	2,160,000,000	7,550,000,000	2,160,000,000
Can Tho Import - Export Seafood Joint Stock Company	4,900,000,000	1,586,117,750	4,900,000,000	1,586,117,750
Other shares	147,288,082,046	139,753,909,075	10,443,554,046	3,724,881,046
Total	362,526,597,740	306,371,695,555	190,079,349,659	132,174,873,494

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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6. FINANCIAL ASSETS (continued)

6.2 Loans

	Ending balance		Beginning balance	
	Cost VND	Fair value VND	Cost VND	Fair value VND
Receivables from margin	2,666,330,636,119	2,666,330,636,119	2,515,797,574,071	2,515,797,574,071
Receivables from advance to customers	84,614,597,275	84,614,597,275	93,807,200,459	93,807,200,459
Total	2,750,945,233,394	2,750,945,233,394	2,609,604,774,530	2,609,604,774,530

(*) Fair value include accrued interest from margin and exclude provision.

6.3 Statement of changes in market values of financial assets

No.	Types of financial assets	Ending balance		Revaluation difference		Beginning balance	
		Cost VND	Market value or fair value VND	Increase VND	Decrease VND	Market value or fair value VND	Revaluation value VND
I	FVTPL	362,526,597,740	306,371,695,555	5,246,169,979	(61,401,072,164)	190,079,349,659	132,174,873,494
1	Listed shares	116,041,876,192	115,341,556,730	5,246,169,979	(5,946,489,441)	80,439,156,111	72,922,670,698
2	Unlisted shares	246,484,721,548	191,030,138,825	-	(55,454,582,723)	109,640,193,548	59,252,202,796
	Total	362,526,597,740	306,371,695,555	5,246,169,979	(61,401,072,164)	190,079,349,659	132,174,873,494

6.4 Provision for impairment of financial assets and pledged asset

	Beginning provision VND	Addition in year VND	Reversal in year VND	Ending provision VND
Provision for impairment of loans	-	19,997,479,770	-	19,997,479,770

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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7 RECEIVABLES

	Ending balance VND	Beginning balance VND
1. Receivables from services provided by the Company	370,008,403,676	57,145,417,513
<i>In which</i>		
Receivables from VSD (i)	312,618,075,234	19,796,209,060
Receivables from purchasing securities (ii)	51,168,439,301	-
Receivables from other activities	6,221,889,141	37,349,208,453
2. Other receivables	35,167,679,780	18,745,163,406
<i>In which: Accrued interest</i>	1,817,395,834	2,178,573,612
3. Provision for impairment of financial assets (iii)	(34,910,725,751)	(16,719,305,094)
Total	370,265,357,705	59,171,275,825

(i) This is the receivables from VSD relating to selling securities for last 2 days. This amount is settled in the subsequent days in 2017.

(ii) This is the receivables relating to securities purchasing of an organization VND 51,168,439,301 and it was paid on 3 January 2017.

(iii) Details of impairment of financial assets are as below:

	Beginning provision VND	Addition in year VND	Reversal in year VND	Ending provision VND
Provision for receivables from margin - individuals	-	18,191,420,657	-	18,191,420,657
Provision for impairment of bad debt	16,719,305,094	-	-	16,719,305,094
+ Masan Corporation	1,145,650,000	-	-	1,145,650,000
+ Individuals (*)	15,573,655,094	-	-	15,573,655,094
Total	16,719,305,094	18,191,420,657	-	34,910,725,751

(*) Including in ending balance is bad debts amounting to VND15,443,787,994 related to buying securities transaction in which the investors lost settlement ability. These transactions incurred in previous years and fully made provision for bad debts.

8. OTHER CURRENT ASSETS

	Ending balance VND	Beginning balance VND
Advances	433,534,797	154,469,078
Short-term prepaid expense	4,052,697,143	4,637,718,956
- Maintenance expenses	1,231,762,818	922,614,939
- Used tools expenses	498,091,845	1,250,712,942
- Other short-term prepaid expenses	2,322,842,480	2,464,391,075
Deposits, collaterals and pledges	27,758,600	25,698,600
Total	4,513,990,540	4,817,886,634

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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9. TANGIBLE FIXED ASSETS

	Transportation vehicles VND	Office equipment VND	Total VND
Cost			
Beginning balance	3,474,189,544	39,922,963,076	43,397,152,620
Additions	955,900,000	2,386,189,794	3,342,089,794
Disposal	(967,197,904)	-	(967,197,904)
Ending balance	3,462,891,640	42,309,152,870	45,772,044,510
Accumulated depreciation			
Beginning balance	2,797,071,858	35,193,110,681	37,990,182,539
Depreciation for the year	201,813,621	2,916,289,324	3,118,102,945
Disposal	(967,197,904)	-	(967,197,904)
Ending balance	2,031,687,575	38,109,400,005	40,141,087,580
Net carrying amount			
Beginning balance	677,117,686	4,729,852,395	5,406,970,081
Ending balance	1,431,204,065	4,199,752,865	5,630,956,930

Other information of tangible fixed assets:

	Ending balance VND	Beginning balance VND
Cost of tangible fixed assets that were fully depreciated but still in use	35,220,524,705	34,583,132,500

10. INTANGIBLE FIXED ASSETS

	Computer software VND
Cost:	
Beginning balance	28,463,749,200
Additions	1,389,816,050
Ending balance	29,853,565,250
Accumulated amortization:	
Beginning balance	23,565,051,233
Amortization for the year	2,803,094,621
Ending balance	26,368,145,854
Net carrying amount:	
Beginning balance	4,898,697,967
Ending balance	3,485,419,396

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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10. INTANGIBLE FIXED ASSETS (continued)

Other information of intangible fixed assets:

	Ending balance VND	Beginning balance VND
Cost of intangible fixed assets that were fully depreciated but still in use	21,990,858,667	21,494,156,067

11. CONSTRUCTIONS IN PROGRESS

	Ending balance VND	Beginning balance VND
Software purchase	5,298,570,886	-
Building systems	4,052,293,236	-
Others assets	1,807,447,420	1,807,447,420
Total	11,158,311,542	1,807,447,420

12. LONG-TERM PREPAID EXPENSES

	Ending balance VND	Beginning balance VND
Prepaid office rentals	95,368,949,432	98,201,690,504
Office renovation cost	723,757,334	1,174,321,586
Office tools and equipment	68,128,134	136,277,778
Total	96,160,834,900	99,512,289,868

13. ADVANCE TO SETTLEMENT ASSISTANCE FUND

Advances to settlement assistance fund represent amounts deposited at Vietnam Securities Depository.

According Decision No. 27/QD-VSD dated 13 March 2015 regarding the regulations on management and usage of the Assistance Fund issued by the General Director of the Vietnam Securities Depository, the Company must deposit an initial amount of VND120 million at the Vietnam Securities Depository and pay an addition of 0.01% of the total amount of brokered securities in the previous year, but not over VND2.5 billion per annum.

Details of the advance to settlement assistance fund are as follows:

	Ending balance VND	Beginning balance VND
First payment	120,000,000	120,000,000
Addition	18,224,666,297	15,898,049,571
Received interest during the year	987,917,013	814,533,739
Total	19,332,583,310	16,832,583,310

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NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

14. SHORT-TERM BORROWINGS AND FINANCIAL LEASES

	Interest rate %/p.a	Beginning balance VND	Addition VND	Repayment VND	Ending balance VND
Short-term borrowings (*)	7.5-8.0	400,000,000,000	6,874,899,500,000	(6,274,899,500,000)	1,000,000,000,000
Bank overdraft	6.0-6.5	254,103,204,781	9,041,348,435,548	(9,295,451,640,329)	-
Total		654,103,204,781	15,916,247,935,548	(15,570,351,140,329)	1,000,000,000,000

(*) Short-term borrowings have term from 1 to 3 months used for supplement working capital.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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15. PAYABLES FOR SECURITIES TRADING

	Ending balance VND	Beginning balance VND
Payables to investors for shares deposits	17,170,000,000	17,170,000,000
Payables to investors for selling transactions	-	16,585,598,900
Other payables	15,440,005,800	98,873,437
Total	32,610,005,800	33,854,472,337

16. TAXATION AND OTHER STATUTORY OBLIGATIONS

Items	Beginning balance VND	Payable in the year VND	Paid in the year VND	Ending balance VND
Corporate income tax (Notes 24)	18,924,105,880	84,490,592,250	(74,560,483,150)	28,854,214,980
Personal income tax paid on behalf of investors	3,482,359,321	54,683,049,508	(54,618,360,856)	3,547,047,973
Personal income tax paid on behalf of foreign corporate	2,859,984,809	31,529,226,481	(30,316,080,562)	4,073,130,728
Contractors tax	960,919,772	3,693,121,908	(3,356,786,117)	1,297,255,563
Personal income tax of employees	771,004,384	18,180,466,168	(17,918,381,363)	1,033,089,189
VAT tax	384,657,779	2,679,795,006	(2,728,349,855)	336,102,930
Excise tax	-	3,000,000	(3,000,000)	-
Total	27,383,031,945	195,259,251,321	(183,501,441,903)	39,140,841,363

17. SHORT-TERM ACCRUED EXPENSES

	Ending balance VND	Beginning balance VND
Allowance for working performance payable to employees	12,000,000,000	12,000,000,000
Brokerage fee payables to SSC	4,733,085,057	3,953,370,562
Interest expenses	3,615,835,487	903,637,272
Others payables	3,502,849,447	1,113,563,930
Total	23,851,769,991	17,970,571,764

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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18. OTHER CURRENT LIABILITIES

	Ending balance VND	Beginning balance VND
Dividends payables to shareholders of HSC	67,765,947,688	67,479,807,249
Shares purchase right payables	35,453,170,000	214,740,000
Dividends payables on behalf	2,566,598,772	1,933,445,349
Other payables	3,025,391,752	954,816,940
Total	108,811,108,212	70,582,809,538

19. OWNERS' EQUITY

19.1 Owners' equity

The Company's shares are broken as follows:

	Ending balance Unit	Beginning balance Unit
Authorized shares	127,256,758	127,256,758
Common shares	127,256,758	127,256,758
Shares issued and fully paid	127,256,758	127,256,758
Common shares	127,256,758	127,256,758
Treasury shares	101,390	71,341
Common shares	101,390	71,341
Outstanding shares	127,155,368	127,185,417
Common shares	127,155,368	127,185,417

19.2 Undistributed profit

	Ending balance VND	Beginning balance VND
Realized profit	628,246,013,560	547,779,193,929
Unrealized profit	(56,154,902,185)	(57,904,476,165)
Total	572,091,111,375	489,874,717,764

NOTES TO THE FINANCIAL STATEMENTS (continued)

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19. OWNERS' EQUITY (continued)

19.3 Dividends allocation to shareholders

	Ending balance VND	Beginning balance VND
Realized gain from previous year (01/01/2016 and 01/01/2015)	547,779,193,929	671,690,552,525
Unrealized loss in year (at 31/12/2016 and 31/12/2015)	(56,154,902,185)	(57,904,476,165)
Realized gain in year	302,781,407,323	188,967,953,401
Undistributed retain earning allocated to shareholders	794,405,699,067	802,754,029,761
Reserves made for current year	(40,478,672,852)	(45,780,893,097)
Dividends distributed to shareholders for current year	(181,835,914,840)	(267,098,418,900)
Total dividends distributed to shareholders	572,091,111,375	489,874,717,764

20. DISCLOSURE OF OFF BALANCE SHEET ITEMS

20.1 Write-off bad debts

	Ending balance VND	Beginning balance VND
Other receivables	345,059,000	345,059,000

20.2 Foreign currency

	Ending balance	Beginning balance
USD	45,182.58	40,192.22
Yen	190,755	190,755
Singapore Dollar	300	300
Pound	100	-
Taiwan Dollar	3,200	3,200
Canada Dollar	100	100

20.3 Outstanding shares

	Ending balance Shares	Beginning balance Shares
Detail in types <= 1 year	127,155,368	127,185,417

20.4 Treasury shares

	Ending balance Shares	Beginning balance Shares
Detail in types <= 1 year	101,390	71,341

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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20. DISCLOSURE OF OFF BALANCE SHEET ITEMS (continued)

20.5 Financial assets listed/registered at VSD of company

	Ending balance VND	Beginning balance VND
Financial asset		
Unrestricted trading financial assets	39,289,910,000	40,168,410,000
Restricted financial assets	585,000,000	585,000,000
Financial assets awaiting for settlement	34,303,700,000	3,149,700,000
Total	74,178,610,000	43,903,110,000

20.6 Non-traded financial assets of the Company deposited at VSD

	Ending balance VND	Beginning balance VND
Financial asset		
Unrestricted and non-traded financial assets deposited at VSD	1,010,000	10,000

20.7 The Company's awaiting financial assets

	Ending balance VND	Beginning balance VND
Financial asset		
The Company's awaiting financial assets	2,099,960,000	1,569,680,000

20.8 Financial assets of the Company are not deposited at VSD

	Ending balance VND	Beginning balance VND
Financial asset		
Financial assets of the Company are not deposited at VSD	60,297,270,000	44,914,770,000

20.9 Financial assets of investors listed/registered at VSD

	Ending balance VND	Beginning balance VND
Financial asset		
Unrestricted and traded financial assets	10,695,622,580,000	9,417,540,880,000
Restricted financial assets	12,819,940,000	40,833,600,000
Mortgaged financial assets	1,964,810,500,000	561,031,770,000
Blocked financial assets	90,276,820,000	180,000,000
Financial assets awaiting settlement	228,833,260,000	245,130,660,000
Total	12,992,363,100,000	10,264,716,910,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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20. DISCLOSURE OF OFF BALANCE SHEET ITEMS (continued)

20.10 Investors' non-traded financial assets deposited at VSD

	Ending balance VND	Beginning balance VND
Financial asset		
Unrestricted and non-traded financial assets deposited at VSD	22,049,360,000	7,589,070,000
Restricted and non-traded financial assets deposited at VSD	16,828,650,000	7,016,060,000
Total	38,878,010,000	14,605,130,000

20.11 Investors' awaiting financial assets

	Ending balance VND	Beginning balance VND
Financial asset		
Investors' awaiting financial assets	219,655,840,000	241,716,160,000

20.12 Investors' deposits

	Ending balance VND	Beginning balance VND
Financial asset		
Investors' deposits for securities trading activities managed by the Company	581,883,723,061	493,009,558,764

20.13 Payables to investors relating to deposits for securities trading activities managed by the Company

	Ending balance VND	Beginning balance VND
Liabilities		
Payables to investors - Deposits of investors for securities trading activities managed by the Company	581,883,723,061	493,009,558,764
Domestic investors	581,657,003,061	492,931,698,764
Foreign investors	226,720,000	77,860,000
Total	581,883,723,061	493,009,558,764

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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21. GAIN, LOSS FROM FINANCIAL ASSETS

21.1. Gain, loss from sale of financial assets at FVTPL

Financial assets	Quantity	Selling price VND	Proceeds VND	Weighted average cost at the end of transaction date VND	Gain from sale in the current year VND	Loss from sale in the current year VND	Accumulated gain, loss from sale in the current year VND	Accumulated gain, loss from sale over the previous year VND
Listed shares								
The gioi Di dong Joint Stock Company	1,611,010	160,513	258,588,491,000	144,681	25,506,364,093	(1,112,890)	25,505,251,203	-
NoVa land investment group corporation	2,100,000	55,800	117,180,000,000	50,000	12,180,000,000	-	12,180,000,000	-
Vietnam Dairy products Joint Stock company	865,670	97,603	84,492,021,000	112,340	4,390,011,158	(109,880,946)	4,280,130,212	2,302,185,332
ETF VFMVN30 Fund	42,023,410	6,433	270,346,520,720	6,377	3,866,327,921	(1,520,162,592)	2,346,165,329	(5,516,698,556)
Hoa Sen group (HSG)	1,339,799	38,239	51,232,685,000	36,892	2,120,995,881	(316,621,503)	1,804,374,378	(27,596,629)
SaiGon Beer Alcohol and Beverages Joint Stock Corporation	427,600	85,000	36,346,000,000	80,751	1,816,950,000	-	1,816,950,000	7,254,792,091
Hoa Phat Group	4,318,550	32,386	139,859,714,000	32,259	4,591,056,164	(4,041,759,493)	549,296,671	(2,002,906,272)
Thanh Cong textile garment investment trading joint stock company	570,890	27,785	15,862,263,000	34,065	536	(3,585,110,959)	(3,585,110,423)	116,565,793
Other shares	29,309,607	14,546	426,328,949,105	14,446	7,189,800,339	(4,258,736,432)	2,931,063,907	(37,760,534,964)
Unlisted shares	168,547	6,574	1,108,000,000	7,815	225,500,000	(434,638,087)	(209,138,087)	13,160,990,429
Bond	1,000,000	99,902	99,901,500,000	99,895	7,000,000	-	7,000,000	1,545,900,000
Total	83,735,083		1,501,246,143,825		61,894,006,092	(14,268,022,902)	47,625,983,190	(20,927,302,776)

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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21.2. Gain, loss from revaluation of financial assets

No.	Financial assets	Cost VND	Market value or Fair value VND	Revaluation difference as at 31 December 2016 VND	Revaluation difference as at 31 December 2015 VND	Adjustment difference in this year VND
I	FVTPL					
1	Listed shares					
	FPT Corporation	28,077,095,326	26,598,176,000	(1,478,919,326)	-	(1,478,919,326)
	Hoang Huy Investment Services Joint stock company	2,240,042,390	764,429,120	(1,475,613,270)	(2,381,604)	(1,473,231,666)
	Viettronics Tan Binh Joint Stock Company	8,168,464,212	5,532,492,800	(2,635,971,412)	(2,549,526,264)	(86,445,148)
	GTNFOODS Stock Company	17,500,085,500	20,750,083,000	3,249,997,500	-	3,249,997,500
	Other shares	60,056,188,764	61,696,362,839	1,640,174,075	(4,964,577,545)	6,604,751,620
2	Unlisted shares					
	Dong A Commercial Joint Stock Bank	16,967,999,502	1,511,472,000	(15,456,527,502)	(11,425,935,502)	(4,030,592,000)
	Ca Mau Seafood Joint Stock Company	10,950,000,000	585,000,000	(10,365,000,000)	(10,365,030,000)	30,000
	Minh Hai Export Frozen Seafood Processing Joint-Stock Company	8,000,000,000	330,000,000	(7,670,000,000)	(7,670,000,000)	-
	Tan Binh Real-Estate Joint Stock Company	12,025,000,000	6,300,000,000	(5,725,000,000)	(5,715,000,000)	(10,000,000)
	Special Aquatic Products Joint-Stock Company	7,550,000,000	2,160,000,000	(5,390,000,000)	(5,389,983,000)	(17,000)
	VASS Insurance Coporation	5,442,600,000	114,000,000	(5,328,600,000)	(4,302,600,000)	(1,026,000,000)
	Can Tho Import - Export Seafood Joint Stock Company	4,900,000,000	1,586,117,750	(3,313,882,250)	(3,313,882,250)	-
	Saigon Postal Corporation	4,406,400,000	2,200,840,000	(2,205,560,000)	(2,205,560,000)	-
	Others	176,242,722,046	176,242,722,046	-	-	-
	Total	362,526,597,740	306,371,695,555	(56,154,902,185)	(57,904,476,165)	1,749,573,980

NOTES TO THE FINANCIAL STATEMENTS (continued)

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21. GAIN, LOSS FROM FINANCIAL ASSETS (continued)

21.3 Dividend, interest income from financial assets at FVTPL, loans and receivables

	Current year VND	Previous year VND
From financial assets at FVTPL	31,884,514,133	60,357,091,886
From loans and receivables	343,656,813,084	222,636,416,529
Total	375,541,327,217	282,993,508,415

21.4 Revenue other than gain from financial assets

	Current year VND	Previous year VND
Revenue from brokerage services	348,957,129,710	262,076,234,335
Revenue from financial advisory services	24,601,902,383	11,154,708,555
Revenue from securities custodian services	5,056,975,249	3,952,302,881
Other operating incomes	1,868,685,936	1,574,822,296
Total	380,484,693,278	278,758,068,067

22. OPERATING EXPENSES

	Current year VND	Previous year VND
Expenses for brokerage services	206,830,545,356	168,468,781,630
Borrowing costs to loan	45,566,564,138	7,390,345,537
Provision for impairment of loans	19,997,479,770	-
Expenses for propriety trading activities	23,567,021,196	11,949,061,177
Expenses for investment advisory services	9,996,332,411	9,705,218,891
Expenses for securities custodian services	5,096,284,054	4,025,649,485
Other operating expenses	18,865,791,047	4,103,170,938
Total	329,920,017,972	205,642,227,658

23. GENERAL AND ADMINISTRATIVE EXPENSES

	Current year VND	Previous year VND
Payroll expenses for administration	47,531,725,142	45,672,125,665
- Salary and bonus	42,165,802,383	40,591,862,373
- Social insurance, health insurance, union fee and unemployment insurance	5,365,922,759	5,080,263,292
External service expenses	14,385,518,961	13,952,908,556
Depreciation and amortization expenses	3,307,473,096	3,330,712,864
Tools and equipment expense	666,139,870	933,546,395
Tax and fee expenses	360,014,678	352,792,601
Other expenses	25,715,369,565	24,628,177,922
Total	91,966,241,312	88,870,264,003

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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24. CORPORATE INCOME TAX

The statutory CIT rate applicable to the Company is 20% of taxable profits from 00202016 (2015: 22%).

The tax returns filed by the Company are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the financial statements could change later upon final determination by the tax authorities.

24.1 Corporate income tax expense

	Current year VND	Previous year VND
Current income tax expense	(84,490,592,250)	(58,810,888,290)
Adjustment for reverse of impairment of unlisted securities in previous years.	-	620,797,070
Deferred income tax income	3,638,284,131	-
Total	(80,852,308,119)	(58,190,091,220)

The estimated current corporate income tax in this year and prior year is represented in the table below:

	Current year VND	Previous year VND
Profit before tax	385,383,289,422	271,500,191,481
Estimated CIT with current tax rate	77,076,657,884	59,730,042,126
<i>Adjustment to increase</i>		
- Non-deductible expenses	228,719,299	254,048,930
- Provision for bad debts	7,637,780,085	-
<i>Adjustment to decrease</i>		
Received dividend	(452,565,018)	(1,173,202,766)
CIT adjustment due to reversal provision for decrease in OTC securities in previous years	-	(620,797,070)
CIT expense	84,490,592,250	58,190,091,220

24.2. Current corporate income tax

The current tax payable is based on taxable profit for the year. The taxable profit of the Company for the year differs from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the reporting date.

24.3. Deferred corporate income tax

Details of deferred income tax in the year are as follows:

	Current year VND	Previous year VND
Deferred tax asset		
Beginning Balance	-	-
Deferred income tax in the year	3,638,284,131	-
Ending balance	3,638,284,131	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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24. CORPORATE INCOME TAX (continued)

24.3. Deferred corporate income tax (continued)

The following are the deferred tax assets and deferred tax liabilities recognized by the Company for the provision of bad debts which are not yet deductible.

	Statement of financial position		Income statement	
	Ending balance VND	Beginning balance VND	Current year VND	Previous balance VND
Provision for doubtful debts	3,638,284,131	-	3,638,284,131	-
	3,638,284,131	-		
Net deferred tax credit to income statement			3,638,284,131	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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25 OTHER INFORMATION

25.1 Related party transactions

List of the related parties and the relationship with the Company are as follows:

Related parties	Relationship
Dragon Capital Markets Limited (DC)	Strategic shareholder – holding 30.87% of share capital. The Company's Vice Chairman of the Board of Directors is the Deputy General Director of DC Group. The Company's member of the Board of Directors, cum Chief Executive Officer is representative for DC's shares.
Ho Chi Minh Finance and Investment State-owned Company (HFIC)	Strategic shareholder – holding 29.47% of share capital. The Company's Vice Chairman of the Board of Directors is the Deputy Director of HFIC. The Company's member of the Board of Directors is Deputy Head of Finance and accounting Department at HFIC.
Vietnam Debt Fund SPC (VDF)	DC's subsidiary
Vietnam Enterprise Investments	DC's subsidiary
Amersham Industries Limited	DC's subsidiary
Vietnam Property Fund Limited	DC's subsidiary
Cam Vietnam Mother Fund	DC's subsidiary
DC Developing Markets Strategies Public Limited Company	DC's subsidiary

Significant transactions with related parties during the year are as follows:

Related parties	Transactions	Current year VND	Previous year VND
Dragon Capital Markets Limited	Brokerage service - Purchasing securities	292,355,597,000	-
	Brokerage service - Selling securities	15,870,000,000	70,436,770,000
	Brokerage income	392,876,146	105,655,155
	Paid dividend	56,168,698,300	82,485,501,000
	Advisory expenses	8,783,430,000	9,618,991,691
Ho Chi Minh City Fund and Investment Corporation	Paid dividend	53,625,000,000	78,750,000,000
Vietnam Debt Fund SPC	Brokerage service - Purchasing securities	-	312,443,000,000
	Brokerage service - Selling securities	-	305,571,036,000
	Brokerage income	-	164,906,482

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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25.1 Related party transactions

Significant transactions with related parties during the year are as follows: (continued)

Related parties	Transactions	Current year VND	Previous year VND
Vietnam Enterprise Investments Limited	Brokerage service - Purchasing securities	124,900,609,000	295,550,719,600
	Brokerage service - Selling securities	369,626,470,740	852,530,825,880
	Brokerage income	741,790,624	1,722,122,409
Cam Vietnam Mother Fund	Brokerage service - Purchasing securities	756,183,382,010	198,587,753,000
	Brokerage service - Selling securities	593,140,632,250	298,402,500,000
	Brokerage income	1,949,211,849	723,417,899
DC Developing Markets Strategies Public Limited Company	Brokerage service - Purchasing securities	180,559,543,020	47,363,399,000
	Brokerage service - Selling securities	61,205,063,300	85,969,849,300
	Brokerage income	362,636,637	199,999,952
Amersham Industries Limited	Brokerage service - Purchasing securities	291,458,104,000	177,658,936,820
	Brokerage service - Selling securities	894,831,199,210	573,694,428,940
	Brokerage income	1,779,433,967	1,127,030,325
Vietnam Property Fund Limited	Brokerage service - Selling securities	72,177,700,000	64,959,176,200
	Brokerage income	108,266,550	97,438,764
The Board of Directors, the Board of Supervisors and the Board of Management	Remuneration and salary	17,849,168,003	17,546,041,623

Amounts due to related parties at the statement of financial position date are as follows:

Related parties	Transactions	Ending balance VND	Beginning balance VND
Dragon Capital Markets Limited	Dividend payable	(19,639,405,000)	(19,639,405,000)
Ho Chi Minh City Fund and Investment Corporation	Dividend payable	(18,750,000,000)	(18,750,000,000)
	Deposits for trading securities	(24,829,079)	(24,630,766)

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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25 OTHER INFORMATION (continued)

25.2. Segment information

Business segment

Information of business segment's revenue, profit, assets and liabilities of departments in different business segments of the Company as below:

	Brokerage and customer services VND	Trading VND	Advisory services VND	Treasury activities VND	Other segments VND	Unallocated VND	Total VND
<i>For the financial year ended 31 December 2016</i>							
1. Revenue from operating activities	354,014,104,959	69,534,501,163	24,601,902,383	374,225,382,259	1,868,685,936	-	824,244,576,700
2. Direct costs	(209,280,361,869)	(23,564,580,442)	(9,986,822,868)	(190,223,545,050)	(674,370,390)	-	(433,729,680,619)
3. Depreciation and amortization	(2,646,467,541)	(2,440,754)	(9,509,543)	(2,507,941,174)	(754,838,554)	-	(5,921,197,566)
4. Other profit	-	-	-	-	789,590,907	-	789,590,907
Profit before tax	142,087,275,549	45,967,479,967	14,605,569,972	181,493,896,035	1,229,067,899	-	385,383,289,422
<i>As at 31 December 2016</i>							
1. Segment assets	2,609,803,706,178	306,371,695,555	-	589,088,356,874	562,884,698	-	3,505,826,643,305
2. Allocated assets	85,023,636,237	748,447,502	1,796,274,005	4,191,306,012	13,172,676,036	-	104,932,339,792
3. Unallocated assets	-	-	-	-	-	6,083,351,591	6,083,351,591
Total assets	2,694,827,342,415	307,120,143,057	1,796,274,005	593,279,662,886	13,735,560,734	6,083,351,591	3,616,842,334,688
1. Segment liabilities	73,227,381,323	-	-	1,008,491,170,000	1,221,786,220	-	1,082,940,337,543
2. Unallocated liabilities	-	-	-	-	-	141,984,545,882	141,984,545,882
Total liabilities	73,227,381,323	-	-	1,008,491,170,000	1,221,786,220	141,984,545,882	1,224,924,883,425

Geographical segment

All operations of the Company are taken place within Vietnam territory.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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25 OTHER INFORMATION (continued)

25.3. Operating lease commitments

The Company leases its offices under operating lease agreements as at 31 December 2016, the operating lease commitment payables under the operating lease agreements as follow:

	Ending balance VND	Beginning balance VND
Less than 1 year	10,316,776,453	14,971,363,980
From 1 - 5 years	19,649,844,390	32,425,760,135
TOTAL	29,966,620,843	47,397,124,115

25.4. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Company (after adjusting for the bonus and welfare fund) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations.

	Current year	Previous year
Net profit after tax - VND	304,530,981,303	213,310,100,261
Bonus and welfare fund - VND	-	(10,025,574,712)
Net profit attributable to ordinary equity holders for calculation of basic earnings per share - VND	304,530,981,303	203,284,525,549
Weighted average number of ordinary shares for basic earnings per share calculation(number of shares)	127,167,449	127,201,122
Basic earnings per share - VND	2,395	1,598

According to resolution of shareholders meeting No.01/2015/NQ-DHCD at 21 April 2016, the Company has made an adjustment and restatement of profit used to calculate earnings per share in the 2015 financial statements to reflect the creation of actual bonus and welfare fund for the year ended 31 December 2015.

Profit used to compute earning per share for 2016 was not adjusted for the creation of 2016 bonus and welfare as resolution of the shareholders meeting on the distribution of the profit after tax of the current year is not yet available.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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25 OTHER INFORMATION (continued)

25.5. Financial risk management objectives and policies

Financial liabilities of the Company mainly comprised of loans and borrowings, trade payables and other payables. Primary purpose of financial liabilities is to finance main business operation of the Company. The Company possesses loans, receivables from customers and other receivables, cash on hand and short-term deposit incurring directly from business operation of the Company. The Company does not hold or issue any derivative instruments.

The Company is exposed to market risk, credit risk and liquidity risk in its daily operation.

Risk management is integral to the whole business of the Company. The Company has a system of control in place to achieve an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

Management reviews and agrees policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risks: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits and available-for-sale investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rate relates primarily to the Company's cash and short-term deposits. These investments are mainly short term in nature and they are not held for speculative purposes.

The Company manages interest rate risk by looking at the competitive structure of the market to obtain rates which are favorable for its purposes within its risk management limits.

A sensitivity analysis is not performed for interest rate risk as the Company's exposure to interest-rate risk is minimal or debts bear fixed interest rate at reporting date.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's Operating activities (when revenue or expense is denominated in a different currency from the Company's accounting currency).

Foreign currency risk is low since most of all the Company's assets and liabilities are in Vietnam dong.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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25 OTHER INFORMATION (continued)

25.5. Financial risk management objectives and policies(continued)

Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainty about future values of the investment securities. The Company manages the stock price risk by setting limits on stock investments. The Board of Directors of the Company also reviews and approves all investment decisions on stocks.

As at reporting date, the exposure to listed and unlisted equity securities. A decrease or increase on the stock market index would result in a decrease or increase in the profit after tax of the Company depending on the significance or prolong decrease/increase.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables from margin trading transactions) and from its financing activities, including deposits with banks and other financial instruments.

Trade receivables

Customer credit risk is managed by the Company based on its established policy, procedures and control relating to customer credit risk management.

Outstanding customer receivables are regularly monitored. The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. The analysis of the possibility provision is made at the reporting date for each large customers.

In view of the aforementioned and the fact that the Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Bank deposits

The Company's bank balances are mainly maintained with well-known banks in Vietnam. Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the statement of financial position at each reporting dates are the carrying amounts as illustrated in Note 4. The Company evaluates the concentration of credit risk in respect to bank deposit as low.

Loans and advances to customers

The analysis of the possibility provision is made at the reporting date for each large customers. The Company has maintained strict control over its outstanding receivables and has a credit control department to minimize credit risk. The margin call is conducted on time and complies with the nature of the margin product.

Apart from financial assets that the Company made provision as mentioned in Note 7, the Company's management assessed that all financial assets are neither past due nor impaired as they are related to recognized and credit worthy counterparties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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25 OTHER INFORMATION (continued)

25.5. Financial risk management objectives and policies (continued)

Liquidity risk

The liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligation due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Company monitors its liquidity risk by maintain a level of cash and cash equivalents and bank loans deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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25 OTHER INFORMATION (continued)

25.5. Financial risk management objectives and policies(continued)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual discounted payments:

31 December 2016	Overdue VND	On demand VND	Up to 1 year VND	1 - 5 years VND	Total VND
FINANCIAL ASSETS					
Financial assets at FVTPL					
Listed shares	-	115,341,556,730	-	-	115,341,556,730
Unlisted shares	-	191,030,138,825	-	-	191,030,138,825
Loans and receivables	-	-	2,750,945,233,394	-	2,750,945,233,394
Other financial assets					
Receivables from services provided by the Company	1,145,650,000	-	368,862,753,676	-	370,008,403,676
Deposits, collaterals and pledges	-	-	27,758,600	4,718,807,750	4,746,566,350
Other receivables	33,765,075,751	2,358,195	1,400,245,834	-	35,167,679,780
Cash and cash equivalents	-	60,193,684,900	-	-	60,193,684,900
	34,910,725,751	366,567,738,650	3,121,235,991,504	4,718,807,750	3,527,433,263,655
FINANCIAL LIABILITIES					
Short-term borrowings	-	-	1,000,000,000,000	-	1,000,000,000,000
Securities trade payables	-	-	32,610,005,800	-	32,610,005,800
Other payables	-	-	17,324,327,772	-	17,324,327,772
	-	-	1,049,934,333,572	-	1,049,934,333,572
Net liquidity gap	34,910,725,751	366,567,738,650	2,071,301,657,932	4,718,807,750	2,477,498,930,083

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

25 OTHER INFORMATION (continued)

25.5. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Collateral

The Company used its receivables to guarantee for the loans (Note 14).

The Company holds the securities of customers as the collateral assets for its receivables at 31 December 2016 and 31 December 2015.

25.6 Corresponding figures

During the year of 2016, due to the effects of changes in accounting policies and requirements for financial statement preparation and presentation in accordance with Circular 334, certain corresponding figures on the financial statements for the previous year have been reclassified to conforming with the current year's presentation.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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25 OTHER INFORMATION (continued)

25.6 Corresponding figures (continued)

a. Extract from statement of financial position

ASSETS	Description	Beginning balance (reported) VND	Reclassification VND	Beginning balance (Reclassification) VND
A. CURRENT ASSETS				
I. Cash and cash equivalents				
Cash	[1]	657,156,819,577	(493,009,558,764)	164,147,260,813
Short-term investments (**)	[2]	190,079,349,659	(190,079,349,659)	-
Provision for short-term investments (**)	[2]	(57,904,476,165)	57,904,476,165	-
Financial assets at fair value through profit and loss (FVTPL) (*)	[2]	-	132,174,873,494	132,174,873,494
Trade receivables (**)	[3]	1,517,336,513	(1,517,336,513)	-
Receivables from securities trading activities (**)	[3]	2,680,281,654,037	(2,680,281,654,037)	-
Other receivables	[3]	3,696,364,899	15,048,798,507	18,745,163,406
Provision for doubtful debts (**)	[3]	(16,719,305,094)	16,719,305,094	-
Loans (*)	[3]	-	2,609,604,774,530	2,609,604,774,530
Receivables from services provided by the Company (*)	[3]	-	57,145,417,513	57,145,417,513
Provision for doubtful debts (*)	[3]	-	(16,719,305,094)	(16,719,305,094)
V. Other current assets				
Advance (*)	[4]	-	154,469,078	154,469,078
Short-term deposits, collaterals and pledges (*)	[4]	-	25,698,600	25,698,600
Other current assets	[4]	180,167,678	(180,167,678)	-
B. NON-CURRENT ASSETS				
V. Other long-term assets				
Other long-term assets (**)	[4]	4,688,159,350	(4,688,159,350)	-
Short-term deposits, collaterals and pledges (*)	[4]	-	4,688,159,350	4,688,159,350
TOTAL ASSETS		3,596,583,428,164	(493,009,558,764)	3,103,573,869,400

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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25 OTHER INFORMATION (continued)

25.6 Corresponding figures (continued)

a. Extract from statement of financial position (continued)

RESOURCES	Description	Beginning balance (reported) VND	Reclassification VND	Beginning balance (Reclassification) VND
C. LIABILITIES				
I. Current liabilities				
	Short-term expense payables	17,066,319,798	904,251,966	17,970,571,764
	Payables for securities trading	526,864,031,101	(493,009,558,764)	33,854,472,337
	Dividend, principal and coupon payables (**)	2,148,185,349	(2,148,185,349)	-
	Other current liabilities	72,050,198,601	(1,467,389,063)	70,582,809,538
	Bonus and welfare fund (*)	-	2,711,322,446	2,711,322,446
	TOTAL LIABILITIES AND OWNERS' EQUITY	3,596,583,428,164	(493,009,558,764)	3,103,573,869,400

(*) New items in the income statement as required by Circular 334

(**) Items which were no longer presented in the statement of financial position in accordance with Circular 334

Details adjustments in main items are as follows:

- [1] Reclassify investors' deposit to off statement of financial position
- [2] Reclassify investment in accordance with Circular 334
- [3] Reclassify receivables in accordance with Circular 334
- [4] Reclassify assets in accordance with Circular 334
- [5] Reclassify bonus and welfare fund in accordance with Circular 334

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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25 OTHER INFORMATION (continued)

25.6 Corresponding figures (continued)

b. Extract from the income statement

ITEMS	Description	Previous year (reported) VND	Reclassification VND	Previous year (Reclassification) VND
1. Revenue				
<i>In which:</i>				
-	Revenue from brokerage services	262,076,234,335	-	262,076,234,335
-	Revenue from securities investments and capital contribution (**)	35,025,916,039	(35,025,916,039)	-
-	Expenses for advisory services	11,154,708,555	-	11,154,708,555
-	Expenses for securities custodian services	3,952,302,881	-	3,952,302,881
-	Revenue from other activities (**)	278,929,816,000	(278,929,816,000)	-
	Gain from financial assets at fair value through profit and loss (FVTPL) (*)	-	88,926,268,079	88,926,268,079
	Gain from sale of financial assets at FVTPL (*)	-	28,569,176,193	28,569,176,193
	Dividend, interest income from financial assets at FVTPL (*)	-	60,357,091,886	60,357,091,886
	Gain from loans and receivables (*)	-	222,636,416,529	222,636,416,529
	Other revenue	-	1,574,822,296	1,574,822,296
2. Operating expenses		(223,713,900,687)	(7,082,659,080)	(230,796,559,767)
	Loss from financial assets at FVTPL (*)	-	(25,154,332,109)	(25,154,332,109)
	Loss from sale of financial assets at FVTPL	-	(49,496,478,969)	(49,496,478,969)
	Downward difference from revaluation of from financial assets at FVTPL	-	24,342,146,860	24,342,146,860

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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25 OTHER INFORMATION (continued)

25.6 Corresponding figures (continued)

b. Extract from the income statement (income statement)

ITEMS	Description	Previous year (reported) VND	Reclassification VND	Previous year (Reclassification) VND
	Provision expenses for financial assets, bad debts written off and loss from impairment of financial assets and borrowing costs to finance for loan (*)	-	(7,390,345,537)	(7,390,345,537)
	Expenses for self trading	-	(11,949,061,177)	(11,949,061,177)
	Expenses for brokerage services	-	(168,468,781,630)	(168,468,781,630)
	Expenses for advisory services	-	(9,705,218,891)	(9,705,218,891)
	Expenses for securities custodian services	-	(4,025,649,485)	(4,025,649,485)
	Other expenses	-	(4,103,170,938)	(4,103,170,938)
3. Financial operation revenues				
	Revenue, accrued dividends, interest income from demand deposits in the year	-	818,225,135	818,225,135
4. General and administrative expenses		(95,952,923,080)	7,082,659,077	(88,870,264,003)

(*) New items in the income statement as required by Circular 334

(**) Items which were no longer presented in the income statement in accordance with Circular 334

Details adjustments in main items are as follows:

[1] Reclassify operating revenues in accordance with Circular 334

[2] Reclassify operating expenses in accordance with Circular 334

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2016

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25. OTHER INFORMATION (continued)

25.6 Corresponding figures (continued)

c. Extract from the cash flows statement

The Company's cash flows statement

ITEMS	Notes	Previous year (reported) VND	Reclassification VND	Previous year (Reclassification) VND
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	[1]	1,506,623,044,077	(720,228,427,295)	786,394,616,782
Cash at banks at the beginning of the period:		1,506,623,044,077	(720,228,427,295)	786,394,616,782
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	[1]	657,156,819,577	(493,009,558,764)	164,147,260,813
Cash at banks for operations of company		657,156,819,577	(493,009,558,764)	164,147,260,813
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	[1]	-	720,228,427,295	720,228,427,295
Cash at banks at the beginning of the period		-	720,228,427,295	720,228,427,295
- The investors' deposits managed by the Company for securities trading activities		-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		-	493,009,558,764	493,009,558,764
Cash at banks at the end of the period		-	493,009,558,764	493,009,558,764
- Investors' deposits managed by the Company for securities trading activities		-	-	-
[1] Reclassify investors' deposits to off balance sheet		-	-	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

as at and for the year ended 31 December 2016

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26. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 17 January 2017, the Company received Notification No. 383/UBCK-QLKD from SSC announced on being received the issuance of share report under Employees Stock Ownership Plan sufficiently. Base on that, the Company issued 2,500,000 shares and record in equity VND45,000,000,000, of which, amount contributed from bonus and welfare fund is VND14,000,000,000 and from employees is VND31,000,000,000.

On 7 February 2017, the Company accomplished Employees Stock Ownership Plan, accordingly its chartered capital increase to VND1,297,567,580,000.

Except for the above event, there is no other matter or circumstance that has arisen since the statement of financial position date that requires adjustments or disclosures to be in the financial statements of the Company.

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