


# THE NEXT CHAPTER

 ANNUAL REPORT 2019



## THE NEXT CHAPTER

2019 was pivotal to HSC as we carried out comprehensive transformations across critical areas of our business - from people, products, to operational processes and IT system - to not only cope with the fast-changing and competitive environment, but also further enhance our capabilities to prepare for greater heights.



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Annual Report  
2019

## INTERACTIVE PDF

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Website link:  
[www.hsc.com.vn/vn/investor/annual-report](http://www.hsc.com.vn/vn/investor/annual-report)

## FORMAT VERSION

This report is announced in both print and electronic version



This annual report  
is available for download on our website.

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## MESSAGE FROM OUR NEW CEO



We considered 2019 a transformative year also because we shifted our focus from "product centricity" to "client centricity" across our businesses

**MR. TRINH HOAI GIANG**  
CEO

### Dear fellow shareholders,

2019 was a transformative year for HSC as the Company prepared and positioned itself for a next phase of growth. I am honored to be appointed Chief Executive Officer by the Board of Directors to lead this amazing business in the "Next Chapter". In the new role, I would like to share our business performance in 2019 and our key strategies in 2020.

The Vietnamese economy delivered solid performances in 2019 as the Government's macroeconomic efforts to make Vietnam an attractive destination for foreign investment capitals bore fruit. However, the Vietnamese stock market did not reflect the economy's strength as evidenced by a sharp fall in trading volume. Also in 2019, a new competitive landscape emerged in the securities brokerage industry as both local and foreign-owned securities companies unsustainably slashed service fees as an attempt to gain market share after the Ministry of Finance lifted the brokerage floor fee.

Amid higher competition, our brokerage market share in 2019 declined slightly. On the positive side, we were still able to maintain our no. 2 position in the securities brokerage market and especially our no.1 position in the institutional brokerage segment. Revenue in 2019 declined by 26% y-o-y and revenue structure shifted as the margin lending business contributed the most to 2019 revenue. The absence of high-profile IPO and M&A transactions in 2019 negatively impacted the investment banking market as well as HSC's corporate finance business. Principal investment business also posted lower performance in 2019. Accordingly, HSC posted VND432 billion of net profit, delivering 64% of its 2019 business guidance. However, HSC's ROE in 2019 remained high and was amongst those of the top performers in the industry.

Despite the short-term stagnant business performance, we are proud of our achievements in 2019 especially those aimed at positioning HSC for a sustainable growth trajectory in future. Firstly, we would like to highlight our accomplishments in increasing our shareholders' equity to VND4,304 billion and in raising US\$50 million syndicated loan from a group of 10 financial institutions led by SinoPac Bank from Taiwan. The transactions once again proved HSC's strong reputation and high credit in the views of both local and global investors.

“We are proud that HSC has always been the first partner of choice of global investors when they want to access the Vietnamese capital markets.”

Secondly, the enhancement of HSC's risk management system was another achievement in 2019. Although we believe we have the most rigorous risk management system in the industry, we have been constantly making endless efforts to strengthen the system. Notably in 2019, we reviewed and restructured the list of securities that were entitled for margin loans. Having high quality names in our portfolio is critical for managing credit risk. As a result, while some securities companies were struggling to deal with financial loss associated with bad margin loans, we were able to protect our shareholders' capital.

Also, in 2019 we successfully launched our corporate bond product, the first ever fixed income product solely structured and distributed by HSC. We aimed of giving our clients access to attractive risk-adjusted investment opportunities by offering bonds of companies with solid business and strong financial capability. Our bond products are enclosed with unique liquidity support packages to help our clients optimize their cash flows and are offered via a multi-function and user-friendly digital platform.

### **“Client centricity” is our focus and our differentiation strategy**

We considered 2019 a transformative year also because we shifted our focus from “client centricity” to “product centricity” across our businesses.

**Retail client brokerage business:** We have digitalized our brokerage services and automated our operational processes. These initiatives have helped us optimize our operating expenses, increase our cost efficiency, and enable us to scale up our client base more quickly. In 2020, we are thrilled to launch our new digitalized platform, which has simple and more user-friendly interface, and is

## **Net profit**

# 432 VND Billion

powered by the most up-to-date technologies. Another strategic focus area in the next coming year is to offer our retail clients a diversified investment product portfolio and more comprehensive asset management solutions.

**Institutional client brokerage business:** We are proud that HSC has always been the first partner of choice of global investors when they want to access the Vietnamese capital markets. As we believe Vietnam will continue to be an attractive destination for foreign capital flows, we have been proactively and constantly upgrading our trading platform to the world-best standards and improving the platform's processing speed. Concurrently, we have built a dedicated team in order to serve our global clients professionally and effectively.

**Corporate finance business:** We are grateful for the trust of Vietnamese companies, our long-term business partners, in our ability to offer them exceptional equity and debt capital raising, initial public offering, and merger and acquisition services. HSC is proud to play a pivotal role connecting Vietnamese companies with prospective investors, both from domestic and global markets.

**Related-party and internal clients:** Proprietary trading is an integral part of our eco-system and the business mainly serves as market maker for our clients' exchange traded funds (“ETF”) and our covered warrant products. We believe the success of the VFMVN30 in 2019 proved our capability in helping our clients achieve their business goals. The success also showed high demand for the products from investors and we expect similar ETFs will be launched in 2020.

We are truly excited that our customer-centric strategies have helped us cohesively connect our businesses. With that solid foundation, we are well positioned and looking forward to offering comprehensive financial products and solutions, setting HSC apart from its peers.

## MESSAGE FROM OUR NEW CEO (continued)

### The harmonization of sustainability factors

At HSC, we are deeply aware of the importance of delivering mutual benefits to different stakeholders to sustainable business development. Therefore, we have been making significant investments in areas and to stakeholders that we believe are critical for our future sustainable growth.

- Strong commitment to human resource development:** Human capital has always been the key success factor at HSC. We have been building and encouraging a creative and collaborative working environment, which has helped many of our employees exploit their full potential. As we think long term, our strategic succession plan will continue to be one of our key priorities in the upcoming years. Trainings are highly important to human capital development and over the last few years, HSC has been cooperating with top-notch educational institutes to leverage their E-learning platforms to offer our employees intensive courses at a large scale. Also, we have introduced and maintained a competitive compensation program, that is transparent and fair, as we believe the program is critical for us to inspire our employee long-term commitment.
- Building a rigorous and transparent corporate governance.** Although our corporate governance is among the best in the industry and fully complies with applicable regulations, we will continue to solidify it as we move to our next growth phase. Particularly in 2020, we will streamline our organizational structure towards simplicity and accountability. Having roles and responsibilities of each employee and department clearly defined, institutionalizing operations across business processes, and providing transparent information are what we aim to achieve in 2020.
- Community contributions:** Since the first day in business, HSC has strongly committed to the development of the Vietnamese capital markets. Our commitment is particularized by our significant contributions in across areas including human resource contributing and

### ROAE

# 11.7%

### SHAREHOLDERS' EQUITY

# 4,304 VND Billion

### TOTAL ASSETS

# 7,489 VND Billion

knowledge sharing. As a market leader, we acknowledge our responsibility and we foresee an increase in our contributions in future.

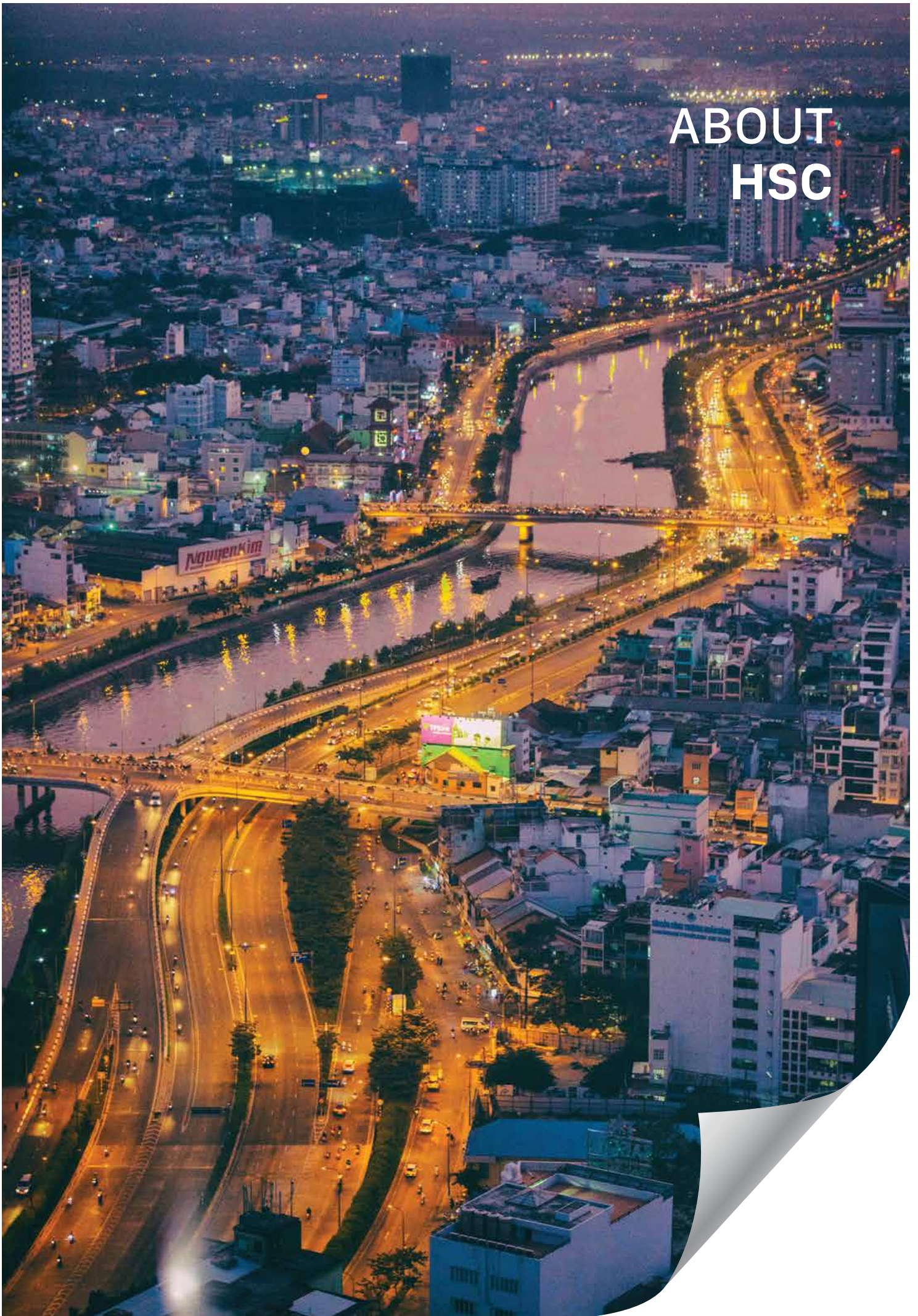
2020 has been widely considered a challenging year for the Vietnamese stock market and HSC is not an outlier. However, I see opportunities in difficulties. While I committed to make my greatest efforts, I am glad to see a strong co-operation and collaboration of all employees, which are critical for HSC to weather this unique time and become stronger afterwards. Over the long term, I strongly believe in positive outcomes of our transformative strategy and in the proven capability of my colleagues. Together, we will be able to not only strengthen our position but also bring HSC to a new height in its sustainable growth path, creating enormous value to our clients and shareholders and contributing greatly to community.

On behalf of all employees of HSC, I would like to offer a sincere thank you to our shareholders for accompanying and putting your trust in HSC. We reaffirm our commitment to delivering exceptional shareholder value and look forward to receiving your continued support in the future.

**Trinh Hoai Giang**  
Chief Executive Officer



# ABOUT HSC





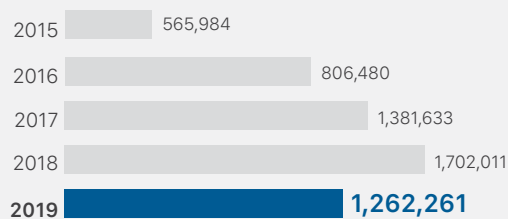
## FINANCIAL HIGHLIGHTS

	2015	2016
<b>Statement of income (VND million)</b>		
<b>Revenue</b>	<b>565,984</b>	<b>806,480</b>
<i>In which:</i>		
<i>Brokerage fees</i>	262,076	348,957
<i>Margin lending</i>	222,636	343,657
<i>Principal investment (*)</i>	63,772	81,260
<i>Financial advisory services</i>	11,155	24,602
<i>Other revenues</i>	6,345	8,004
<b>Operating expenses</b>	<b>294,512</b>	<b>421,886</b>
<b>Net profit from operating activities</b>	<b>271,472</b>	<b>384,594</b>
<b>Profit before tax</b>	<b>271,500</b>	<b>385,383</b>
<b>Profit after tax</b>	<b>213,310</b>	<b>304,531</b>
<b>Balance sheet (VND million)</b>		
Total assets	3,596,583	3,616,842
Charter capital	1,272,568	1,272,568
Shareholders' equity	2,279,549	2,391,917
<b>Financial indicators</b>		
Return on average assets (ROAA)	5.6%	9.1%
Return on average equity (ROAE)	9.2%	13.0%
<b>Equity's value</b>		
Outstanding shares	127,185,417	127,155,368
Basic earnings per share - VND	1,677	2,395
Book value per common share - VND	17,923	18,811
Dividend - VND (**)	1,430	1,700
Market price at year end - VND	30,800	28,000
P/E	18.4	11.7

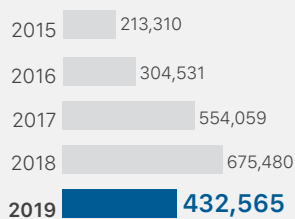
(\*) Gains and losses arising from proprietary investments were netted off for comparative purposes

(\*\*) Estimated for Y2019 and subject for final approval at AGM

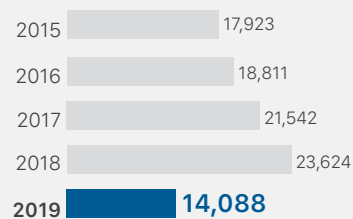
### Revenue (VND Million)



### Profit After Tax (VND Million)



### Book Value Per Common Share (VND)

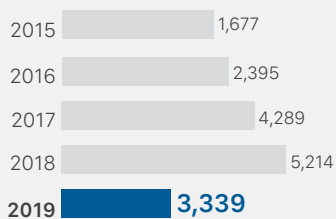




2017	2018	2019	CAGR in 5 years
<b>1,381,633</b>	<b>1,702,011</b>	<b>1,262,261</b>	<b>10%</b>
601,942	758,849	478,283	
439,219	523,064	495,989	
269,839	278,344	222,453	
45,179	119,217	53,628	
25,455	22,536	11,908	
<b>689,310</b>	<b>859,927</b>	<b>730,950</b>	
<b>692,323</b>	<b>842,083</b>	<b>531,311</b>	
<b>692,601</b>	<b>842,186</b>	<b>531,406</b>	
<b>554,059</b>	<b>675,480</b>	<b>432,565</b>	<b>3%</b>
6,680,572	5,256,305	7,488,679	13%
1,297,568	1,297,568	3,058,823	19%
2,791,161	3,060,536	4,304,143	13%
10.8%	11.3%	6.8%	-8%
21.4%	23.1%	11.7%	-6%
129,570,368	129,554,168	305,516,173	19%
4,289	5,214	3,339	2%
21,542	23,624	14,088	-5%
2,100	2,500	1,200	-11%
60,100	46,850	21,350	-7%
14.0	9.0	6.4	-10%

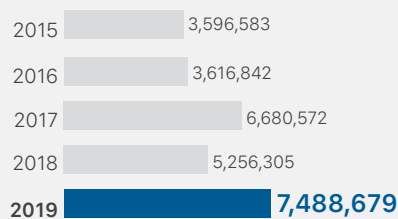
### Basic Earnings Per Share

(VND)



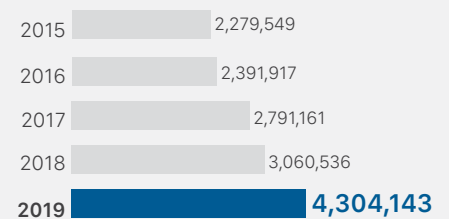
### Total Assets

(VND Million)



### Shareholders' Equity

(VND Million)



## HSC PROFILE

### VISION

To become one of the country’s most admired, trusted, and valued financial institution, 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

### Integrity

We act with integrity in every business decision and daily operation.

### Positivity

We demonstrate good intention with respectful manner in our interaction with others.

### Dedication

We are committed to providing excellent services to all stakeholders.

### Partnership

We build trusting partnerships by displaying empathy and providing collaborative support to one another.

## PROFESSIONALISM

We innovate and continuously improve our capabilities as a leader in capital markets.



## HSC SERVICES

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### BROKERAGE & SALES

#### Securities services

- Opening of trading accounts
- Brokerage: Equity, Fixed Income, Derivatives
- Advisory
- Account management
- Cash transaction
- Securities depository
- Fund certificates distribution
- OTC stocks quoting
- Shareholder Book management
- Managed Account
- IPO auction agent
- Corporate bond distribution

#### Financial Services

- Margin lending
- Cash advances
- Government bond brokerage, auction & repo
- Short-term funding for buying government bond

#### Trading Services

- Web trading
- Mobile trading
- DMA & STP
- FIX
- OMGEO
- Contact center
- SMS

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### INVESTMENT BANKING

#### Corporate Finance Advisory

- Equitization
- Divesting the State's interest in SOEs
- Enterprise valuation
- Financial Restructuring
- Public company registration
- Listing and Initial Public Offering (IPO) advisory

#### Merger & Acquisition (M&A) Advisory

#### Capital Raising in Domestic and International Capital Market

- Stocks issuance and underwriting
- Bond & derivatives issuance via public offering or private placement
- Financial Restructuring
- Listing and Initial Public Offering (IPO) advisory

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### RESEARCH

#### Coverage

- Companies
- Sectors
- Economics
- Fixed Income
- Strategy
- Technical analysis

#### Full Access

- Analyst calls
- Working models
- Corporate Access

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### PRINCIPAL INVESTMENT

#### Proprietary Investment

- Fixed income
- Equity
- Futures
- Covered Warrant
- Structured products

#### Market Making

## CORPORATE MILESTONES

### 2003

- Initiated operations after receiving Certificate of Business (Registration No. 4103001573) from Department of Planning and Investment of HCMC on April 23, 2003 and Business Permit No.11/SSC-GPHDKD from State Securities Commission on April 29, 2003.
- Launched operations with an initial capital of VND50 billion, one of the largest capital bases within the securities sector in Vietnam at the time.

### 2006

- Increased charter capital to VND100 billion.
- Relocated headquarters and transaction office to Capital Place Building, 6 Thai Van Lung Street, District 1, HCMC.

2003  
2010

### 2007

- Increased charter capital to VND200 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 VND395 billion.
- Launched the Call Center PBX support system and VITrade system to facilitate Internet trading.
- Established Hau Giang transaction office in HCMC.

### 2009

- Officially listed on Ho Chi Minh City Stock Exchange under stock ticker HCM.
- Upgraded internet trading platform (VI-Trade system) and launched VIP-Trade, an advanced version of VI-Trade allowing real-time transactions.
- Established Lang Ha transaction office in Hanoi.

### 2010

- Increased charter capital to VND600 billion.
- Established 4 transaction offices: Tran Hung Dao, 3 Thang 2 in HCMC and Ba Trieu, Kim Lien in Hanoi.

### 2011

- Increased charter capital to over VND998 billion.
- Relocated head office and IT Data Center to new corporate headquarters at AB Tower, 76 Le Lai, District 1, HCMC.

### 2012

- Increased charter capital to over VND1,008 billion.
- Established Cho Lon transaction office in HCMC.
- 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.

2011  
2015

### 2013

- Increased charter capital to over VND1,273 billion.
- Obtained certification of ISO/IEC 27001:2005 standard for "Providing online trading and brokerage services" from TUV Rheinland (Germany).

### 2014

- Launched new website with interactive 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 contributions to securities market development from 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.





Since inception in 2003, HSC has steadily grown in size and capital base to become one of the leading securities and financial services firms in Vietnam.

**2016**

- Launched HSC iTrade: a breakthrough web-based platform based on smart trading applications.
- Received Certificate of Merit from The Ministry of Finance for significant contributions to securities market development and contributing to economic-social development.

2016  
2018

**2017**

- Launched HSC Trade on Android, fulfilled HSC's trading channels on mobile devices: Web, Android, iOS.
- Extended foreign ownership limit (FOL) to 100% charter capital from May 19, 2017.
- Participated as a pioneer in the inauguration of Vietnam Derivatives Market, marking a milestone in the development of Vietnam's securities market.
- Successfully issued VND800 million corporate bond

**2018**

- Launched an online customer brokerage channel: [www.online.hsc.com.vn](http://www.online.hsc.com.vn) along with a fanpage: "Smart Money - Dòng tiền Thông minh" (<https://www.facebook.com/hscdongtienthongminh/>) provides training courses and practical advisory to customers.
- Opened the Nam Sai Gon transaction office.
- Successfully organized the Emerging Vietnam 2018 Conference which is considered as a bridge between more than 40 leading companies in Vietnam and 200 international investors.

2019

**2019**

- Increased charter capital to **3,058 Billion VND**
- Launched [bond.hsc.com.vn](http://bond.hsc.com.vn) as a new digital trading platform for bond's investor.
- Appointed Mr. Trinh Hoai Giang - Deputy CEO to the position of Chief Executive Officer.



## AWARDS & ACCOLADES

### 2012

- "Best Brokerage House in Vietnam 2012", at the Triple A Country Awards 2012, awarded by The Asset magazine.
- "Best Local Brokerage in Vietnam" and 21 other major accolades in Asiamoney Brokers Poll 2012.
- 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).
- "Vietnam's Top 50 Performing Companies 2012", voted by Nhip Cau Dau Tu magazine.
- "M&A Advisory Firm of the Year 2011 - 2012", awarded at M&A Forum Vietnam 2012.

### 2013

- "The Best Brokerage Firm in Vietnam 2013" at the Triple A Country Awards 2013, awarded by The Asset magazine
- "Top 50 Listed Companies in Vietnam 2013", voted by Forbes Vietnam Magazine
- "Most Outstanding Securities Company in 2013", awarded by Hanoi Stock Exchange.

### 2014

- "Best Brokerage House in Vietnam" and "Best M&A House in Vietnam" at the Triple A Country Awards 2014, awarded by The Asset magazine.
- "Top 3 Best Salespersons in Vietnam" in 2014 plus other accolades for brokerage services and research coverage by Asiamoney.
- "The Best Managed Brokerage House in the APAC Region", awarded by the Asian Banker.
- Certificate of Merit from Ministry of Finance for significant contribution to HNX's development from 2009 - 2014.
- "Top 50 Best Performing Companies in Vietnam 2014", voted by Nhip Cau Dau Tu magazine.
- "Top 50 Listed Companies in Vietnam 2014", voted by Forbes Vietnam magazine.
- "Bronze Award" for Traditional Annual Report in Financial Services: Brokerage & Commodity Category, and "Honors Award" for Written Text Category at the 2014 ARC Awards.
- "Gold Award" in Financial - Capital Markets and 3 other major accolades at the 2013 LACP Vision Awards for Annual Reports.
- "Top 10 Best Annual Reports", awarded by HOSE and Dau Tu Chung khoan Newspaper.

### 2015

- "Top 50 Performing Companies in Vietnam 2015", voted by Nhip Cau Dau Tu magazine.
- "Top 50 Listed Companies in Vietnam 2015", voted by Forbes Vietnam magazine.
- Certificate of Merit from the Prime Minister for significant contribution to securities market development in 2010 - 2014.
- Certificate of Merit from the Ho Chi Minh City People's Committee
- 1st Prize for Best Annual Report, Best Content of Corporate Governance 2015 and Top 3 Best Sustainability Reports given by Vietnam Investment Review and HOSE.

### 2016

- "Top 50 Listed Companies in Vietnam", awarded by Forbes Vietnam magazine.
- Certificate of Merit from the Ministry of Finance for significant contributions to the development of the securities market, economy and social aspect in Vietnam.
- "Top 10 Best Annual Reports in Vietnam" at Annual Report Award, organized by Dau Tu Chung Khoan Newspaper and HOSE.

## 2018

- "Top 3 public listed companies in Vietnam 2018", awarded at the 2nd ASEAN Corporate Governance Awards Ceremony held in Malaysia by ASEAN Capital Markets Forum.
- "Top 5 Best Corporate Governance Companies – Large Cap Group" and "Top 10 Best Annual Reports" at the ceremony of the Vietnam Listed Company Awards.
- "Top 50 Best Performing Companies in Vietnam 2018", awarded by Nhip Cau Dau Tu Magazine.
- "Top 50 Best Listed Companies", awarded by Forbes Vietnam magazine.
- "Best Company for Investor Relation Activities 2018" at IR Awards 2018 organized by Vietstock in collaboration with Finance and Electronic Life - FiLi.vn.
- "The Best Securities Company in 2017 - 2018 for IPO Advisory & Private Issuance at Vietnam M&A forum.

## 2019



**BEST INSTITUTIONAL BROKER IN VIETNAM**  
awarded by Alpha Southeast Asia magazine.



**BEST BROKERAGE HOUSE IN VIETNAM**  
at the Triple A Country Awards 2017,  
awarded by The Asset magazine.



**TOP 50 BEST LISTED COMPANY IN VIETNAM 2019**  
voted by Forbes Vietnam magazine.



**TOP 50 BEST PERFORMING COMPANIES IN VIETNAM 2019**  
awarded by Nhip Cau Dau Tu magazine.



**TOP 5 BEST CORPORATE GOVERNANCE COMPANIES – LARGE CAP GROUP**  
at "Vietnam Listed Company Awards 2019",  
awarded by SSC and HSX.

## BOARD OF DIRECTORS



### Mr. DO HUNG VIET

Chairman  
Non-executive member

Mr. Do Hung Viet has been the Non-executive Chairman of HSC's Board of Directors (BoD) since April 04, 2011. Mr. Viet was the Chief Executive Officer of HSC since its inception in 2003 to 2006. Prior to that, he worked as a Manager of the Trust Department of the Ho Chi Minh City Investment Fund for Urban Development (HIFU) He holds a bachelor's degree in economics & Banking.



### Mr. LE ANH MINH

Vice Chairman  
Non-executive member

Mr. Le Anh Minh has been a member of the BoD of HSC for 12 years and has been appointed as Vice Chairman of the Board since April 2011. He joined the Dragon Capital Group (DCG) in 2002 and has held various positions such as Chief Executive Officer, Chief Financial Officer, and executive member of the Board of Directors of DCG. He used to be Southeast Asia Chief Financial Officer of Coca-Cola, he holds a Master of Business Administration degree from Wharton School, Pennsylvania State University, USA.



### Mr. JOHAN NYVENE

Executive member

Mr. Johan Nyvene was the Chief Executive Officer of HSC for 13 years from 2007 to March 2020. Under his leadership, HSC emerged from the mid-end securities firm to prominence in Vietnam. Prior to HSC, Mr. Nyvene worked at HSBC Vietnam, where he set up and led the Securities Service Department of the Bank. He spent the first 09 years of his financial career as an analyst and international banking expert, in charge of Southeast Asian markets at CoreStates First Union Bank in USA





**Mr. PHAM NGHIEM XUAN BAC**

Non-executive member

Appointed in February 2002, Mr. Pham Nghiem Xuan Bac has been a member of HSC's BoD for more than 17 years. He holds a master's degree in Business Administration and a Bachelor of Laws. Currently, Mr. Bac is the Chief Executive Officer of Vision & Associates Co., Ltd., and the Chairman of Synergy Company Limited. Prior to that, he was the Deputy General Director of InvesConsult from 1989 to 1999.



**Mr. LE THANG CAN**

Non-executive member

Mr. Le Thang Can has been a non-executive member of HSC's BoD since his appointment on April 16, 2015. After completing his bachelor's degree in Economics, he joined the Ho Chi Minh City Finance and Investment State-owned Company (HFIC) and was promoted to be the Investment Manager for HFIC. Prior to HFIC, Mr. Can was the Chief Financial Officer at Huy Viet Ltd.



**Mr. LE HOANG ANH**

Non-executive member

Mr. Le Hoang Anh has been a non-executive member of HSC's BoD since April 21, 2016. Mr. Hoang Anh joined Dragon Capital Markets Limited (DC) since 2002, and currently worked as a Director of the Group. Prior to that, Mr. Hoang Anh worked at Ho Chi Minh City's Department of Planning and Investment, and at the NLN Trading Company in Hungary as an economic and financial analyst. Mr. Hoang Anh is also a board member of VietFund Management.



**Mr. LAM HOAI ANH**

Non-executive member

Mr. Lam Hoai Anh has been a non-executive member of HSC's BoD since his appointment in April 2018. Currently, Mr. Anh is the Deputy General Director of the Ho Chi Minh City Finance and Investment State-owned Company (HFIC). He is also a board member of the Sai Gon Kim Cuong Joint Stock Company and Gia Dinh Textile Joint Stock Company. He holds a bachelor's degree and master's degree in Finance and Banking.

## BOARD OF SUPERVISORS



**Mr. VO VAN CHAU**

Head of Board of Supervisors

Mr. Vo Van Chau has been a member of HSC's Board of Supervisors (BoS) for 17 years since December 2002. He was the Vice Chairman of the Board of Directors of Kien Long Bank until 2018. Previously, he was a member of the Board of Directors cum Chief Executive Officer, Advisor to Chairman of the Board of Directors of Kien Long Bank; senior advisor to the board of management of Dai Tin Commercial Joint Stock Bank, the Chief Executive Officer of the Orient Commercial Joint Stock Bank, and a Branch Director of the Asia Commercial Joint Stock Bank in Da Nang and Dak Lak.



**Mr. DOAN VAN HINH**

Member of Board of Supervisors

Mr. Doan Van Hinh has served on HSC's BoS since 2007. Prior to that, Mr. Hinh was the Chief Financial Officer at Saigon Co-op Investment Development Joint Stock Company from 2007 to 2014. He also held the position of Chief Accountant at HCMC Trade Cooperative Union from 1997 to 2007.



**Ms. DANG NGUYET MINH**

Member of Board of Supervisors

Ms. Dang Nguyet Minh has been a member of HSC's BoS for more than 06 years since her appointment in April 2013. Currently, Ms. Minh is the Director and Deputy Head of Research at Dragon Capital Markets Limited (DC).

# COMPANY STRUCTURE



## BOARD OF MANAGEMENT



### Mr. TRINH HOAI GIANG

Chief Executive Officer

Mr. Trinh Hoai Giang was appointed Chief Executive Officer of HSC on January 09, 2020. Prior to this appointment, he has contributed 13 years as Deputy General Director, in charge of Investments and Operations of HSC. Before HSC, he worked in the Treasury Department of the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) from 1994 to 2002. Mr. Giang joined Dragon Capital Limited as a Director in 2005. He has contributed greatly to the development of Vietnam's capital market as the Vice Chairman of Vietnam Bond Market Association since 2010. Mr. Giang was a Fulbright U.S. Scholar and earned his Master of Business Administration in the United States in 2005.



### Mr. NGUYEN CANH THINH

Managing Director  
Private Client Division

Mr. Nguyen Canh Thinh was appointed the Managing Director in charge of the Retail Client Brokerage Division since 2019. Mr. Thinh has been with HSC for more than 12 years, since graduating from the University of Economics and Law. Before being promoted to his current role, he had more than 06 years managing a transaction office in Ho Chi Minh City. He has contributed greatly to the development of the Retail Client Brokerage Department, both in terms of growing revenue and expanding the business development team.



### Mr. STEPHEN JAMES MCKEEVER

Managing Director Institutional  
Client Division

Mr. Stephen James McKeever has joined HSC since 2018 as the Managing Director in charge of the Institutional Sales Department. Before HSC, he had more than 20 years of experience in various senior executive positions, such as the Regional Director in Asia for Mizuho Securities Asia and the Business Development Director for Standard Charter Bank. Mr. McKeever earned his bachelor's degree in Finance at the London School of Economics.



### Mr. PHAM NGOC BICH

Managing Director  
Corporate Finance Division

Mr. Pham Ngoc Bich joined HSC in 2016. He has over 25 years of global investment experience in various senior roles, including Assistant Vice President of Derivatives Trading at Credit Lyonnais Canada, Managing Director at CIBC Global Asset Management in Canada and Hong Kong, CEO at Prudential/Eastspring Vietnam Fund Management and Managing Director of Institutional Sales at SSI Securities, before joining HSC.





**Mr. TRAN TAN DAT**

Managing Director  
Head of Trading  
Institutional Client Division

Mr. Tran Tan Dat was appointed Managing Director in charge of Trading of Institutional Client Division in 2018. Mr. Dat has been with HSC for almost 13 years, since graduating from the Hogeschool Zeeland University, major International Business Management Studies. With his continuous contribution, HSC's ISD became and stayed firm as the largest broker for foreign institutional investors in Vietnam.



**Mr. CHRISTOPHER HUNT**

Head of Research Division

Mr. Christ Hunt joined HSC as Managing Director, Head of Research - Research Division since 2019. Mr. Christ Hunt has over 30 years of experience in research, financial advisory and managing research and product development. He was Head of Research at top-rate financial companies as HSBC Securities, Macquarie Securities, SG Warburg, Alliance Capital Management, PXP Management, CIMB and Standard Chartered.



**Mr. BACH QUOC VINH**

Managing Director  
Northern Region

Mr. Bach Quoc Vinh joined HSC in 2003 and has been Managing Director covering the Northern market on since then. Before HSC, Mr. Vinh had more than 10 years at Prudential Vietnam as its Business Development Manager, Head of Business Development in the Hanoi office, and Branch Director in Nghe An and Ha Tinh provinces for the insurance company.



**Mr. LE ANH QUAN**

Chief Partnership Officer

Mr. Le Anh Quan joined HSC as Managing Director in charge of partnership development in 2018. He has more than 25 years of experience in various senior positions at several large corporations in and outside Vietnam, in particular, CMO at Techcombank, VP of Marketing at Kinh Do Group, Business Development Director at DID TV Media Group, Business Unit Director at Unilever, and Online Marketing Manager at The Walt Disney Company, among others. Mr. Quan holds a Master of Business Administration degree at Anderson School of Management at California State University in Los Angeles (UCLA).



**Mr. LAM HUU HO**

Chief Financial Officer

Mr. Lam Huu Ho was appointed Chief Financial Officer at HSC from 2007. Before HSC, Mr. Ho had more than 05 years of experience in audit at KPMG Vietnam and was the Internal Audit Manager at Cai Lan Oil and Fats Industry Company from 2003 to 2007.



**MRS. NGUYEN LINH LAN**

Managing Director  
Human Resources Department

Mrs. Nguyen Linh Lan joined HSC since 2019 as the Managing Director in charge of the Human Resource Department. Before HSC, Mrs. Lan has 25 years of experience and be an expertise in Talent acquisition, Operations & Strategic planning at regional & global corporates such as AIA, M&P International, Saigon Shipping, Katran Shipping, Mayer Brown – American Law firm.

## SHAREHOLDER'S INFORMATION

### OWNERSHIP STRUCTURE

Category	Restricted transferable shares	Transferable shares	Total	Percentage of Ownership (%)
I. Inside Shareholders	26,224,500	157,273,976	183,498,476	59.99%
II. Treasury shares	-	366,090	366,090	0.12%
III. Others	5,832,400	116,185,297	122,017,697	39.89%
1. Local	5,301,020	34,390,602	39,691,622	12.98%
1.1 Individual	5,301,020	31,089,525	36,390,545	11.90%
1.2 Institutional	-	3,301,077	3,301,077	1.08%
In which State-owned:	-	87,500,000	87,500,000	
2. Foreign	531,380	81,794,695	82,326,075	26.91%
2.1 Individual	531,380	1,133,518	1,664,898	0.54%
2.2 Institutional	-	80,661,177	80,661,177	26.37%
<b>Total</b>	<b>32,056,900</b>	<b>273,825,363</b>	<b>305,882,263</b>	<b>100.00%</b>

### SHARES

<b>Total number of shares:</b>	<b>305,882,263</b>	<b>shares</b>
Type of outstanding shares:	Common	
Par value:	10,000 VND/shares	
<b>Treasury shares:</b>	<b>366,090</b>	<b>shares</b>
<b>Number of outstanding shares:</b>	<b>305,516,173</b>	<b>shares</b>
Number of Restricted transferable shares:	32,056,900	shares
Number of Transferable shares:	273,459,273	shares

### TREASURY SHARES

Category	Number of Treasury Shares as of 1/01/2019		Number of Treasury Shares changed (*increase) in term	Number of Treasury Shares as of 31/12/2019	
	Quantity	Percentage		Quantity	Percentage
Number of treasury shares	202,590	0.156%	163,500	366,090	0.120%

Note:

\* In 2018, HSC has withdrawn 163,500 shares from thirteen (13) retired staffs, who involved in the ESOP 2016 program, according to the regulations on issuing shares for HSC key officers.

## SHAREHOLDER'S INFORMATION (continued)

### SPECIAL SHAREHOLDERS

NO.	Name of Institution/ Individual	ID/ Passport/ Business Licence	Issued day	Address	Number of Stocks	Percentage of Ownership (%)	Restricted transferable shares (*)
<b>A. State Shareholders cum Strategic Shareholders (above 5% ownership)</b>							
1	Hochiminh city Finance and Investment state – owned Company (HFIC)	300535140	4/13/10	33-39 Pasteur St, Dist.1, HCMC	87,500,000	28.61%	25,000,000
2	Lam Hoai Anh	001072008603	6/1/16	290/9 Nam Ky Khoi Nghia St, Ward 8, Dist. 3, HCMC	61,250,000	20.02%	
3	Le Thang Can	025776876	4/18/13	60/21/6 D4, KP5, Truong Tho, Thu Duc, HCMC	26,250,000	8.58%	
<b>B. Major Shareholders cum Strategic Shareholders (above 5% ownership)</b>							
2	Dragon Capital Markets Limited (DC)	C00001	7/27/00	P:1901, Floor 19, Me Linh, 02 Ngo Duc Ke, Dist. 1, HCMC	91,650,556	29.96%	-
<b>C. Major Shareholders (above 5% ownership)</b>							
3	PXP Vietnam Emerging Equity Fund Limited	C00413	10/10/05	6th Floor, Opera View Building, 161 Dong Khoi, Dist.1, HCMC	16,125,344	5.27%	-
<b>TOTAL (A+B+C):</b>					<b>195,275,900</b>	<b>63.84%</b>	<b>25,000,000</b>

Note: (\*) Second time distribution shares are restricted from transfer in 01 year from the date of offering completion. The transfer is restricted from May 22, 2019 to May 21, 2020.

## SHAREHOLDER'S INFORMATION (continued)

## INSIDE SHAREHOLDERS

NO.	Full name	Position	Restricted transferable shares	Transferable shares	Total	Percentage of Ownership	Percentage of Representative
<b>BOARD OF DIRECTORS</b>							
1	Do Hung Viet	Chairman	-	41,924	41,924	0.01%	-
2	Lam Hoai Anh	Member	17,500,000	43,750,000	61,250,000	0.00%	20.05%
	Own share number		-	-	-	-	-
	Represented share number <b>Hochiminh city Finance and Investment state - owned company (HFIC)</b> (State shareholder)		17,500,000	43,750,000	<b>61,250,000</b>		20.05%
3	Le Anh Minh	Vice Chairman	-	45,927,871	45,927,871	0.03%	15.00%
	Own share number		-	102,592	<b>102,592</b>	0.03%	
	Represented share number <b>Dragon Capital Markets Limited (DC)</b>		-	45,825,279	<b>45,825,279</b>		15.00%
4	Le Thang Can	Member	7,500,000	18,750,000	26,250,000	-	8.59%
	Own share number		-	-	-	-	-
	Represented share number <b>Công ty Đầu tư Tài chính Nhà nước TP. HCM (HFIC)</b> (State shareholder)		7,500,000	18,750,000	<b>26,250,000</b>		8.59%
5	Pham Nghiem Xuan Bac	Member	-	560,000	560,000	0.18%	-
6	Le Hoang Anh	Member	-	-	-	-	-
7	Johan Nyvene	TV HĐQT kiêm Tổng Giám đốc	349,800	46,857,497	47,207,297	0.45%	15.00%
	Own share number		349,800	1,032,220	<b>1,382,020</b>	0.45%	
	Represented share number <b>Dragon Capital Markets Limited (DC)</b>		-	45,825,277	<b>45,825,277</b>		15.00%
<b>TOTAL</b>			<b>25,349,800</b>	<b>155,887,292</b>	<b>181,237,092</b>	<b>0.68%</b>	<b>58.64%</b>

## SHAREHOLDER'S INFORMATION (continued)

### INSIDE SHAREHOLDERS (continued)

NO.	Full name	Position	Restricted transferable shares	Transferable shares	Total	Percentage of Ownership	Percentage of Representative
<b>MANAGEMENT TEAM</b>							
1	Johan Nyvene	CEO					
2	Trinh Hoai Giang	Deputy CEO	349,800	593,551	943,351	0.31%	-
3	Le Cong Thien	Deputy CEO	156,800	434,291	591,091	0.19%	-
<b>TOTAL</b>			<b>506,600</b>	<b>1,027,842</b>	<b>1,534,442</b>	<b>0.50%</b>	<b>-</b>
<b>SUPERVISORY BOARD</b>							
1	Vo Van Chau	Chairman	-	40,418	40,418	0.01%	-
2	Doan Van Hinh	Member	-	10,935	10,935	0.0036%	-
3	Dang Nguyet Minh	Member	-	-	-	-	-
<b>TOTAL</b>			<b>-</b>	<b>51,353</b>	<b>51,353</b>	<b>0.02%</b>	<b>-</b>
1	Lam Huu Ho	Chief Accounting Officer	171,300	307,489	478,789	0.16%	-
2	Le Anh Quan	Chief Partnership Officer	196,800	-	196,800	0.06%	-
<b>TOTAL</b>			<b>26,224,500</b>	<b>157,273,976</b>	<b>183,498,476</b>	<b>1.42%</b>	<b>58.64%</b>



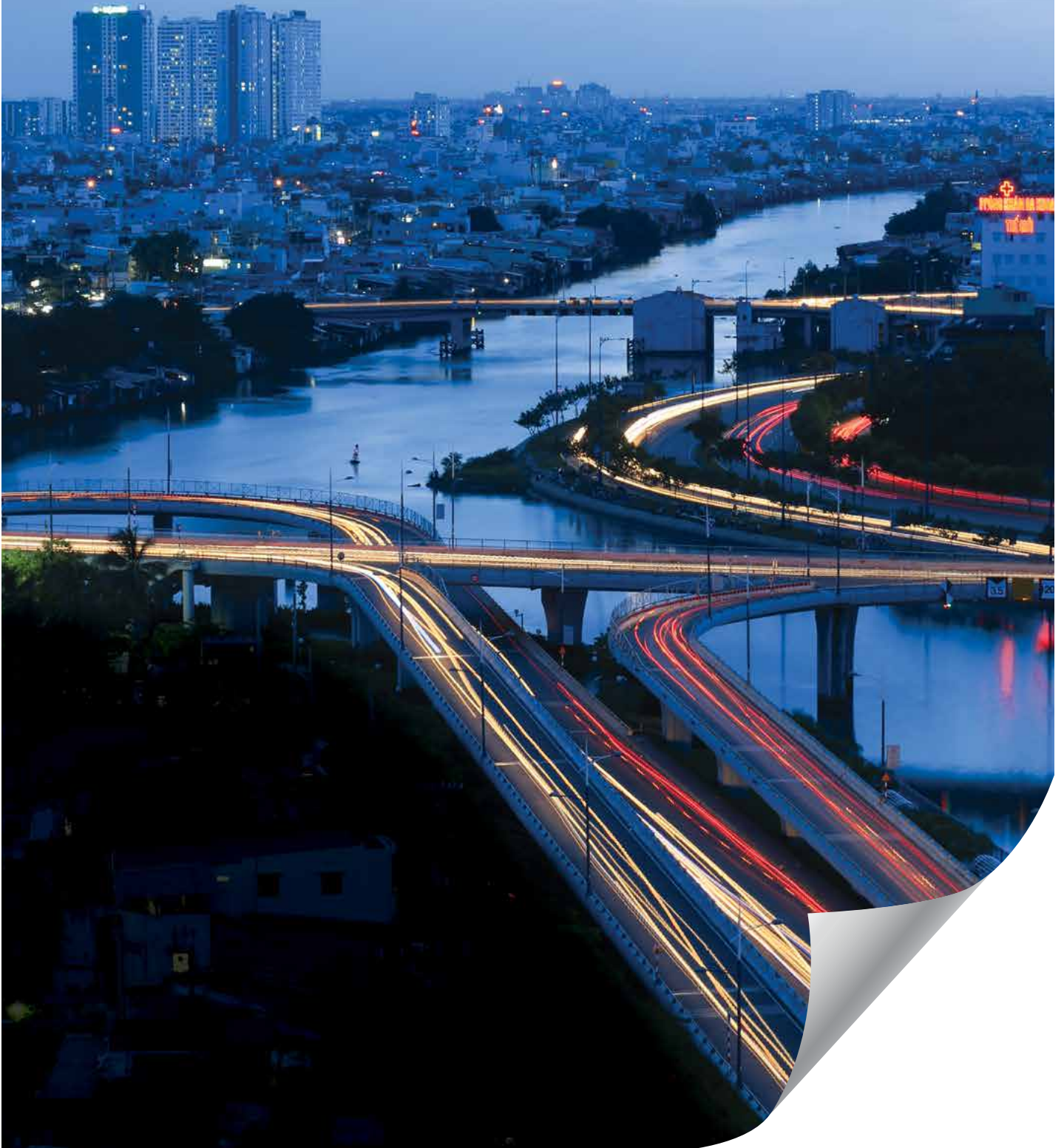
## SHAREHOLDER'S INFORMATION (continued)

### ISSUANCE

<b>Number of outstanding shares before issuance:</b>	<b>129,756,758</b>	<b>shares</b>
Number of issued shares:	176,125,505	shares
<b>Number of shares after issuance:</b>	<b>305,882,263</b>	<b>shares</b>
Effective date of listing:	09/07/2019	

Category	Number of shares
<b>Number of outstanding shares as at 21 May 2019</b>	<b>129,464,168</b>
Number of treasury shares as at 21 May 2019	292,590
Number of issuance shares to increase charter capital using owners' equity	86,368,239
Number of issuance shares offering to existing shareholders	83,280,266
Include:	
<i>Second time distribution shares are restricted from transfer in 01 year from the date of offering completion</i>	25,000,000
Number of issuance shares under ESOP 2018	6,477,000
Include:	
<i>40% of issued shares under ESOP 2018 will be transferred 12 months or more from the issuance date</i>	2,590,800
<i>30% of issued shares under ESOP 2018 will be transferred 24 months or more from the issuance date</i>	1,943,100
<i>30% of issued shares under ESOP 2018 will be transferred 35 months or more from the issuance date</i>	1,943,100
<b>Number of outstanding shares as at 22 May 2019</b>	<b>305,589,673</b>
<b>TOTAL</b>	<b>305,882,263</b>

# 2019 PERFORMANCE OVERVIEW & 2020 OUTLOOK



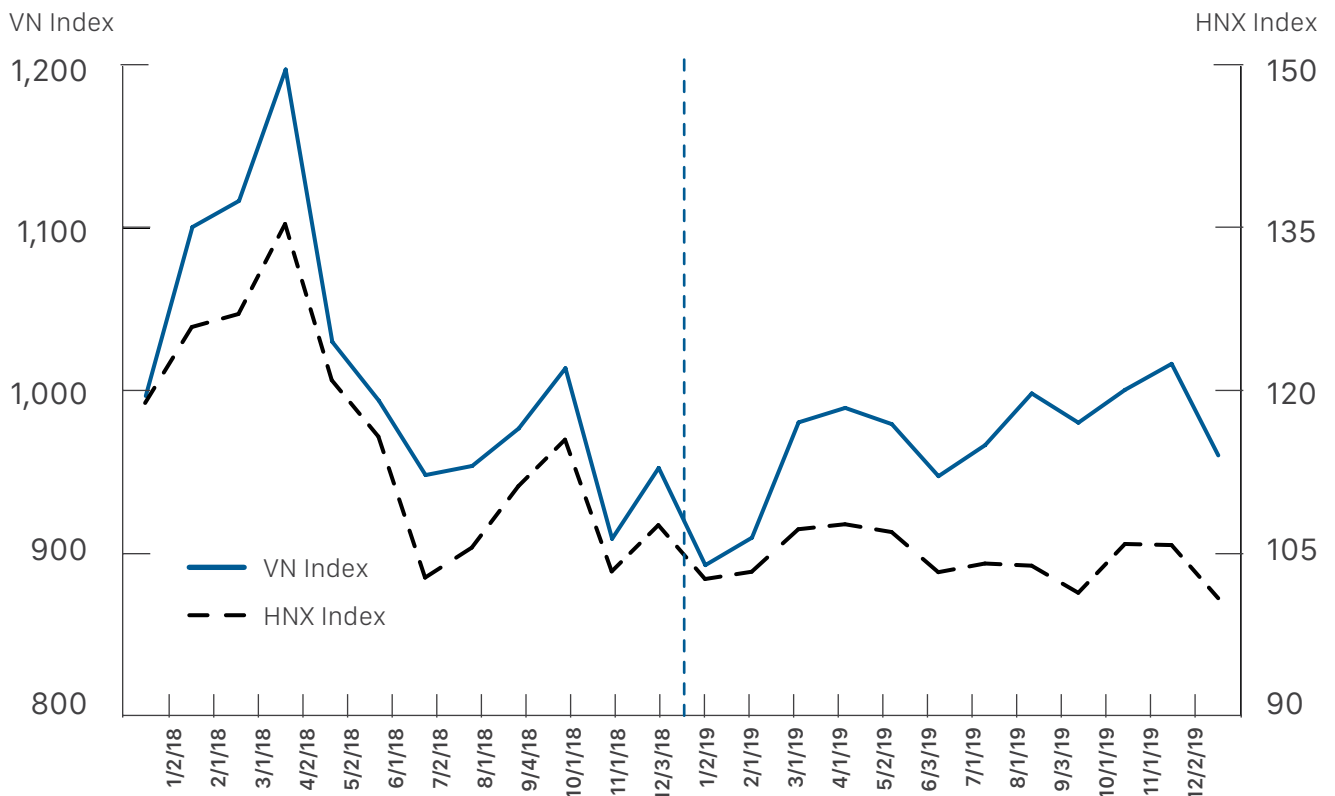
# VIETNAM STOCK MARKET IN 2019

## VIETNAM STOCK MARKET

After peaking in the first quarter of 2018 (VNIndex: 1,024 points), Vietnam’s stock market plummeted in the following quarters of 2018 and reached 892 points by end of 2018. In 2019, the market continued to witness a side-way trading in the range of 946-1,028 points, with 30% drop in average daily trading volume from VND6,536 billion/day to VND4,649 billion/day. By end of 2019, VN-Index closed at 961 points, up 7.7% y-o-y meanwhile VN30-Index reached 879.1 points, up 2.8% y-o-y. Besides, the HNX-Index dropped by 1.7% y-o-y, to 102 points.

Domestic investors still dominated the market share with 85.3% of total trading value (down 27% y-o-y). Meanwhile, total trading value from foreign investors was VND350 trillion, decreased by 33% y-o-y and accounting for 14.7% of total market share.

VN Index & HNX Index



However, 2019 is still considered a remarkable year in which many important events were introduced and adopted, affecting all market participants as following:

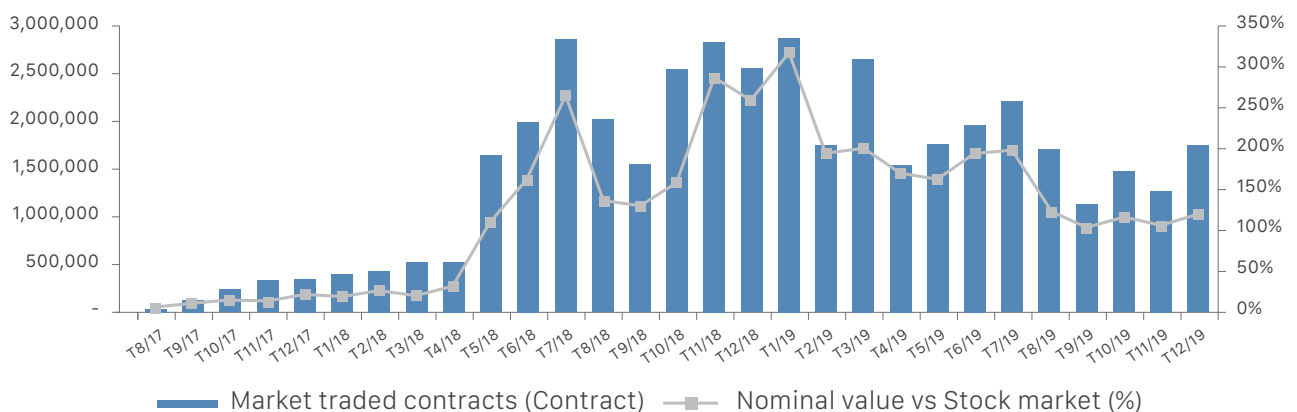
- In February 2019, the floor transaction fee (0.15%) was removed, creating fierce competition between securities companies, especially from foreign securities companies;
- The Covered Warrant product was officially launched in June 2019, though at quite small and medium size, has given investors more product choices;
- A number of new indices (VNDiamond, VN FinSelect and VN FinLead) have been proposed and implemented by local asset management funds to bring opportunities for foreign investors to invest indirectly in many good stocks with full foreign ownership limit;
- The New Securities Law was officially adopted by the National Assembly by end of November 2019 with some new provisions, expected to be a positive factor for market upgrade in the near future by improving the market quality and its participants corporate governance.

## VIETNAM DERIVATIVES MARKET

Similar to the underlying stock market, the derivatives market also recorded a decline in total liquidity in 2019 after peaking in January 2019. However, the derivatives market has only been developing since 2017 and attracting investors' attention only since the second quarter of 2018. Therefore, although trading activities was dampened in 2019, the average daily liquidity still increased slightly. Specifically, the average number of contracts/day in 2019 increased by 13% y-o-y, from 79 thousand contracts to 88.7 thousand contracts.

The war on transaction fees amongst securities companies, including both domestic and foreign companies has become more fiercy than ever in the derivatives market. Some companies even apply a free transaction policy to attract customers, thereby gaining more market share.

**Derivatives Market Trading**



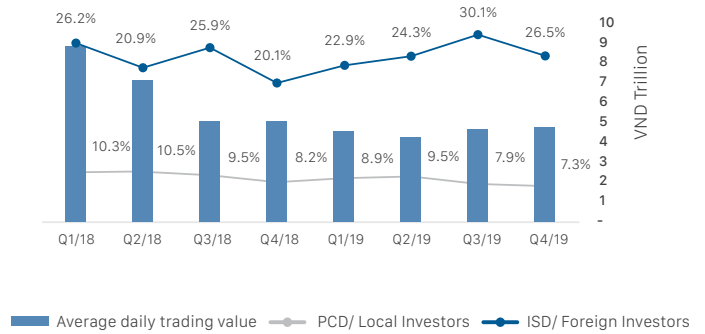
# VIETNAM STOCK MARKET IN 2019

## MARKET SHARE OF HSC IN 2019

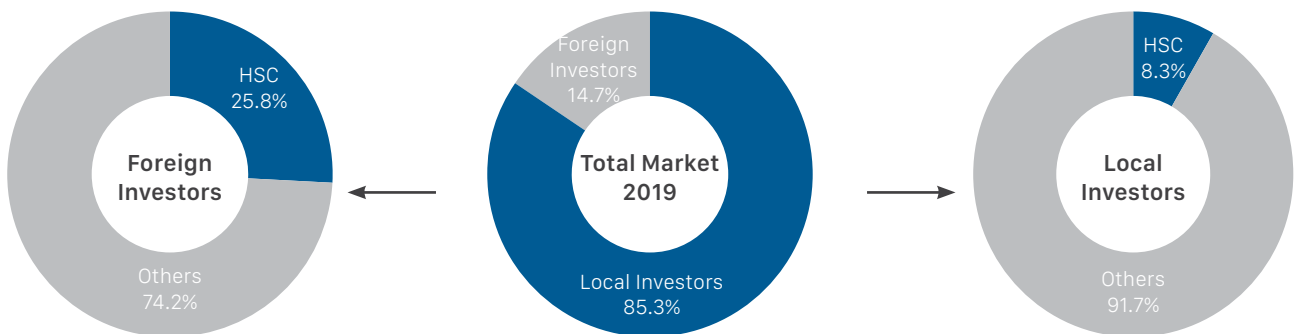
Under the pressure of intensively competitive market in which the total transactions value decreased sharply, it is inevitable that HSC would bear the same situation. Therefore, instead of looking at the general market share only, it is wiser to evaluate our effort through many goals as following:

1. Try to maintain the overall market share as much as possible because it is the first evaluation factor;
2. Maintain and increase market share in each specific customer segments & in each product line, especially those customers and products that can bring us stability, safety and high profitability;
3. Focus on measuring and improving market share associated with profitability.

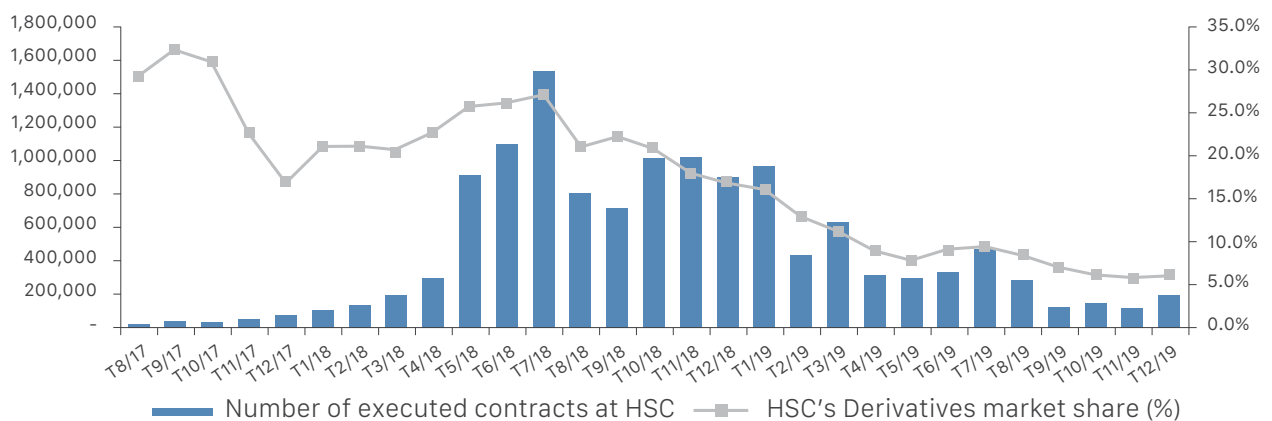
HSC's Stock brokerage market share



Based on the above goals, we are proud that HSC firmly held the top 2 position in terms of general market shares on HSX (10.54% in 2019). In particular, our market share from retail customers (mostly domestic customers) was 8.3% and our market share from institutional customers (mostly foreigners) was 25.8% and held the top 1 position.



HSC's Derivatives brokerage market share





## 2019 BUSINESS PERFORMANCE REVIEW

INCOME STATEMENT	FY2019	FY2018	% Change	Plan 2019	% Plan 2019
<b>Income statement (VND Million)</b>					
Doanh thu (*)	1,262,261	1,702,011	-26%	1,666,107	76%
Revenue (*)	730,950	859,927	-15%	814,716	90%
<b>Operating expenses (*)</b>	<b>531,406</b>	<b>842,186</b>	<b>-37%</b>	<b>851,391</b>	<b>62%</b>
<b>Profit before tax</b>	<b>432,565</b>	<b>675,480</b>	<b>-36%</b>	<b>681,113</b>	<b>64%</b>
<b>Balance sheet (VND Million)</b>					
Total Assets	7,488,678	5,256,305	42%	5,600,944	134%
Total Equity	4,304,143	3,060,536	41%	3,873,960	111%
<b>Financial indicators</b>					
Return on average assets (ROAA)	6.79%	11.30%		12.16%	
Return on average assets (ROAE)	11.75%	23.10%		17.58%	
<b>Per share financial indicators</b>					
Outstanding share	305,516,173	129,554,168	136%	309,049,387	99%
Earning per share (ESP)	1,596	5,214	-69%	2,450	65%
Book value per share	14,088	23,624	-40%	12,535	112%

\* Gains and losses arising from proprietary investments were netted off for comparative purposes.

### Customer oriented business strategy

In order to develop in an increasingly competitive environment, with the increasing volatility seen in both domestic and global economy, HSC has steadily taken reform steps. Our business strategy was built up with **"Clients at the center"**. Thereby, the entire business process is analyzed, designed and executed aiming to provide the best service for each specific customer.

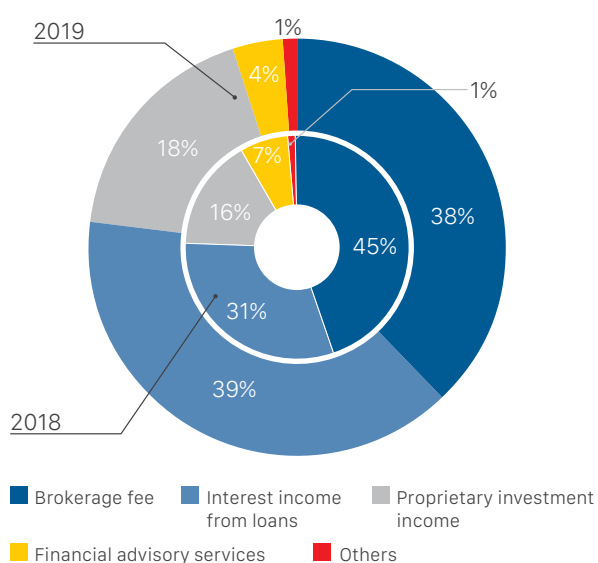
New business strategy has helped HSC to achieve sustainable business results in 2019, despite the unfavorable market environment as aforementioned. For example, under intensive competition pressure, HSC's brokerage market share has declined in 2019, but with the lowest rate among the top 3 securities companies. In addition, our market share from foreign clients/institutional clients has increased decently, from 23.1% to 25.8%. The revenue structure is also diversified well with many business activities which have low-risk exposure, high growth potential and less dependence on market fluctuations.

## 2019 BUSINESS PERFORMANCE REVIEW (continued)

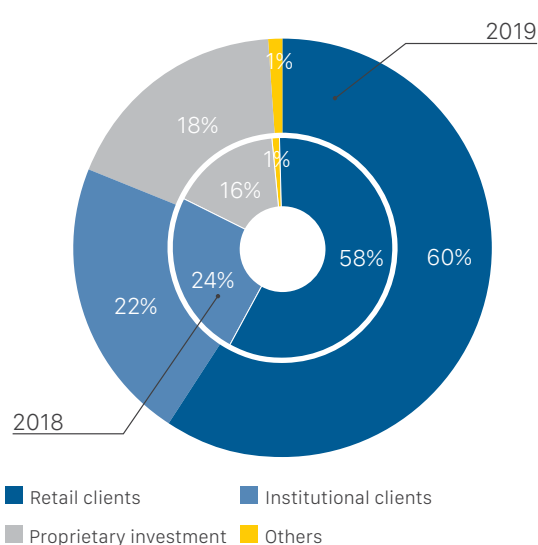
### Total revenue allocation

Revenue Breakdown (VND Million)	FY2019	FY2018	% Change	Plan 2019	% Plan 2019
Brokerage fee	478,283	758,849	-37%	818,697	58%
<i>Retail clients</i>	268,487	485,956	-45%	577,019	47%
<i>Institutional clients</i>	209,796	272,893	-23%	241,679	87%
Income from loans	495,989	523,064	-5%	520,000	95%
<i>Retail clients</i>	485,171	501,713	-3%	499,371	97%
<i>Institutional clients</i>	10,818	21,351	-49%	20,629	52%
Gains from proprietary investments	222,453	278,344	-20%	209,760	106%
Financial advisory services	53,628	119,217	-55%	105,000	51%
Others	11,908	22,536	-47%	12,650	94%
<b>Total</b>	<b>1,262,261</b>	<b>1,702,011</b>	<b>-26%</b>	<b>1,666,107</b>	<b>76%</b>

Revenue breakdown by business lines



Revenue breakdown by business segment



## BUSINESS RESULTS FROM RETAIL CLIENTS

Retail clients are still our key customer base who contributed the biggest weighting in the revenue (60% of total gross revenue in 2019). In 2019, gross revenue from retail clients is VND753 billion.

In 2019, brokerage fees from retail clients decreased by 45% y-o-y, mainly due to lower stock market liquidity, and the slight decrease in HSC's market share. The average gross fee ratio was well maintained at 0.18% vs. 0.19% in 2018. This result is considered the HSC's success in maintaining a loyal customer base and does not fall right into the race of sharply cutting transaction fees.

Retail clients (VND Million)	FY2019	FY2018	% Change	Plan 2019	% Completion
<b>Revenue</b>	<b>753,658</b>	<b>987,670</b>	<b>-24%</b>	<b>1,076,390</b>	<b>70%</b>
<b>Brokerage fee</b>	<b>268,487</b>	<b>485,956</b>	<b>-45%</b>	<b>577,019</b>	<b>47%</b>
<i>From the stock market</i>	243,554	407,677	-40%	479,857	51%
<i>From the derivatives market</i>	24,919	75,982	-67%	81,312	31%
<i>Others</i>	14	2,298	-99%	15,850	0%
Revenue from margin loans	485,171	501,713	-3%	499,371	97%

Four important pillars of the business strategy for the retail clients:

- Focus on profitable market share**
- Diversify revenue structure**
- Enhance policies & infrastructure**
- Excellent credit risk management**

## 2019 BUSINESS PERFORMANCE REVIEW (continued)

### BUSINESS RESULTS FROM RETAIL CLIENTS (continued)

Business strategy repositioning has brought HSC successes in 2019. Specifically:

- Maintaining profitable market share:** HSC's overall market share has declined slightly in 2019. However, if we exclude transactions for subprime stocks which have no actual supply and demand & pretty high credit risk, therefore HSC did not offer margin lending services, our actual market share from the priority segment remained stable and even grew well.
- Diversifying revenue structure:** HSC has gradually changed and diversified revenue structure based on product diversification. In particular, we have reduced our reliance on highly competitive & downward trend businesses, such as brokerage services floor trading fees removed. In contrast, we have boosted up the weighting of businesses with high income retention ratios. For example, we focused strongly on margin lending, using our excellent risk management policy as an important leverage. Besides, we also created new revenue channels by providing our customers with a diverse portfolio of investible products, such as covered warrant and corporate bonds, etc.

- Excellent credit risk management:** HSC's total market share decreased slightly, by 30% y-o-y, in line with the decline in the whole market trading value. However, revenue from margin lending for retail clients only decreased slightly by 3% y-o-y. This achievement is thanks to several reasons as following: the effort to find large funding sources at low cost which can be maintained sustainably despite the liquidity volatility in the domestic interbank market; competitive & customized interest rate policy for each client groups; safe and sound risk management policy. In 2019, HSC did not suffer any bad debt from margin lending.
- Enhancing policies and technology infrastructure:** In 2019, HSC focused on reviewing internal policies as well as improving the IT infrastructure and all transaction platforms in order to provide our customers with the best quality services.

Contributed  
TOTAL REVENUE

60%

ACCOUNT  
opened via online channel

200%

STOCK ACCOUNT

+9.1%

DERIVATIVES ACCOUNT


+4.0%

Revenue from margin loans (VND Million)	FY2019	FY2018	% Change	Plan 2019	% Plan 2019
Average balance of margin loans, in which:	4,225,094	3,932,783	7%	5,000,000	85%
<i>For retail clients</i>	4,152,804	3,773,236	10%	4,905,415	85%
<i>For institutional clients</i>	72,291	159,547	-55%	94,585	76%
Revenue from margin loans, in which:	495,989	523,064	-5%	520,000	95%
<i>From retail clients</i>	485,171	501,713	-3%	499,371	97%
<i>From institutional clients</i>	10,818	21,351	-49%	20,629	52%


In 2020, HSC will persistently pursue the main tasks which were set for the retail clients segment. These key tasks are as following:




**Successfully deploying a new trading system platform** - a breakthrough of HSC in improving the quality of customer service



**Promote business development programs** in each specific period, for each specific client types



**Launching more new products** for clients (Covered Warrant, Corporate Bonds, etc)



**Continue to improve the expertise** of retail brokers through a variety of training programs as well as clear career paths. The main goal is to keep the good staffs as well as recruit more high quality employees.

## BUSINESS RESULTS FROM INSTITUTIONAL CLIENTS

HSC is well known for the professional services provided to institutional clients, including securities brokerage (stocks, bonds) and corporate financial advisory services. This is our reputation for many years.

Market share related to  
**INSTITUTIONAL CLIENTS**

**25.8%**

**TOTAL REVENUE**

**220,614** Million VND

y-o-y growth for  
**IS ACCOUNTS**

**+25%**

Institutional clients (VND Million)	FY2019	FY2018	% Change	Plan 2019	% Plan 2019
<b>Revenue</b>	<b>220,614</b>	<b>294,244</b>	<b>-25%</b>	<b>262,308</b>	<b>84%</b>
Brokerage fee	209,796	272,893	-23%	241,679	87%
<i>From the stock market</i>	178,282	253,045	-30%	212,179	84%
<i>Off-band transactions</i>	24,330	9,997	143%	13,000	187%
<i>Others (bond, OTC)</i>	7,184	9,851	-35%	16,500	39%
Margin loans interest income	10,818	21,351	-49%	20,629	52%



## 2019 BUSINESS PERFORMANCE REVIEW (continued)

### BUSINESS RESULTS FROM INSTITUTIONAL CLIENTS (continued)

“No. 1 position in terms of market share for foreign institutional clients”

Despite the decline in trading value of foreign investors in 2019, HSC's market share has risen sharply, affirming its position as the best broker for the institutional clients, and also taking the No. 1 position in terms of market share for foreign institutional clients. Having a team of highly qualified and experienced professionals related to research, brokerage & investment advisory as well as an excellent execution capabilities, HSC is increasingly affirming its prestigious position.

In 2019, the total trading value of institutional clients was VND342 trillion, down 35% y-o-y compared to 29% y-o-y drop in the total trading value of retail clients. Therefore, the market share of the institutional clients has decreased from 16% last year to 14.7% this year. However, at HSC, the total trading value of institutional clients (mostly foreigners) only decreased 25% y-o-y, much lower than the overall decrease of the whole market. As a result, HSC has improved its market share from 23.1% to 25.8% and holds the No. 1 position in term of market share.

Beside the big amount of revenue from listed stocks brokerage fees, HSC has successfully executed many off-band brokerage transactions, mainly for full FOL stocks (MWG, VPB, FPT, MBB, etc.). Total gross revenue from these off-band transactions grew by more than 150% y-o-y, accounting for nearly 10% of total brokerage fee revenue from institutional clients.

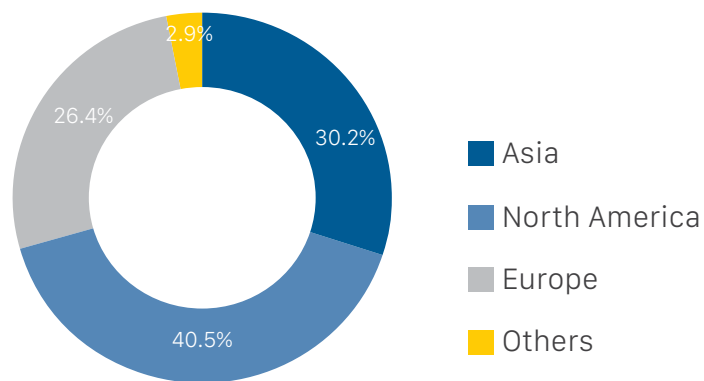
Institutional clients	FY2019	FY2018	% Change	Plan 2019	% Plan 2019
Brokerage fee from institutional clients (VND Million)	178,282	253,045	-30%	212,179	84%
Institutional clients market share	3.9%	3.8%	4%	3.6%	111%
Total trading value in HSC (VND Million)	1,676,106	124,339,007	-26%	116,205,000	79%

To welcome the opportunity of market upgrade to MSCI-Index, HSC has consistently carried out preparatory work for many years. Specifically:

1. In 2019, HSC organized its 3rd Emerging Vietnam annual conference with an increasing number of investors and companies attending. The conference has become a great chance for domestic & global investors, authorities & various companies in Vietnam to meet, exchange and seek investment opportunities. The conference provided 15 in-depth panel discussions across many interesting topics (both macro and industrial topics), 15 corporate presentations, more than one hundred of 1: 1 meetings between investors and companies.
2. Our brokers and analysts in the Institutional Clients Division have made lots of marketing trips in potential markets. As a result, the number of new accounts has grown impressively in 2019, up 25% y-o-y. In particular, Europe and America are the market saw the strongest growth, promising to contribute significantly to HSC's institutional clients market share in the future.
3. Continuously upgrade the IT system to provide customers with the most effective trading platform, capable of executing large trading orders with the fastest speed and the highest level of accuracy.



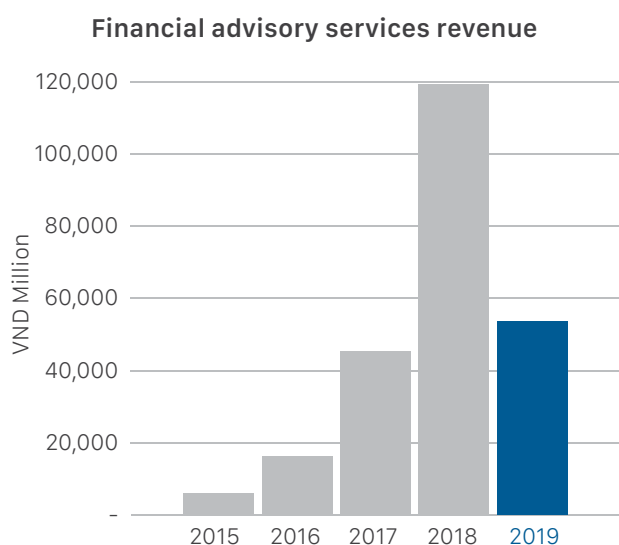
### Institutional clients account



Summary of Emerging Vietnam Annual Conference	FY2019	FY2018	% Change
Investors	239	225	30%
Companies	59	50	18%
<i>Listed companies</i>	44	42	4.7%
<i>OTC companies</i>	15	8	87%

## 2019 BUSINESS PERFORMANCE REVIEW (continued)

### CORPORATE FINANCE ADVISORY BUSINESS



A series of successful advisory transactions over the past few years has confirmed HSC's position in the market. The trust we have from both the company & the investor thanks to our professionalism is considered to be the most important foundation for our business development. Therefore, HSC always prioritized assurance of the best benefits for all parties.

2019 is considered a challenging year for the stock market. The trading value of foreign investors - the most potential buyers of financial advisory transactions - have dropped in the market. Therefore, financial

advisory activities were also somewhat affected. In addition, the feature of corporate financial advisory is the uncertainty about timing of revenue reporting. The revenue reported in each specific accounting period often does not fully reflect the actual business performance. The fluctuations in revenue between years are popular and usually very large.

Facing these difficulties, HSC has refined, built and been persistent with our business strategy:

- Focusing on advisory activities that are less affected by short-term capital market volatility, such as merger and acquisition advisory (M&A), private placement advisory (stocks, bonds). In addition, continue to seek and be ready to deploy advisory transactions related to the initial public offering (IPO), listing procedures, etc, when the market conditions become more favorable.
- Continuing to build a team of creative and dynamic consultants who have both domestic and global experiences. The team will be specialized toward each potential industries for which HSC also has reputation over the years such as: banking, insurance, real estate, consumer-retail, healthcare, education, etc.
- Strengthen cooperation with regional and global consulting units on large-scale consultancy transactions.

Remarkable deals in 2019	Category	Advisory fee (VND Billion)
Vinamilk buy GTN shares	Consumer	1,400
Aozora Bank invest in OCB Bank	Bank	3,600
Taseco	Airport service	450
Phu My Hung	Real estate	1,900

### Our key tasks for 2020:

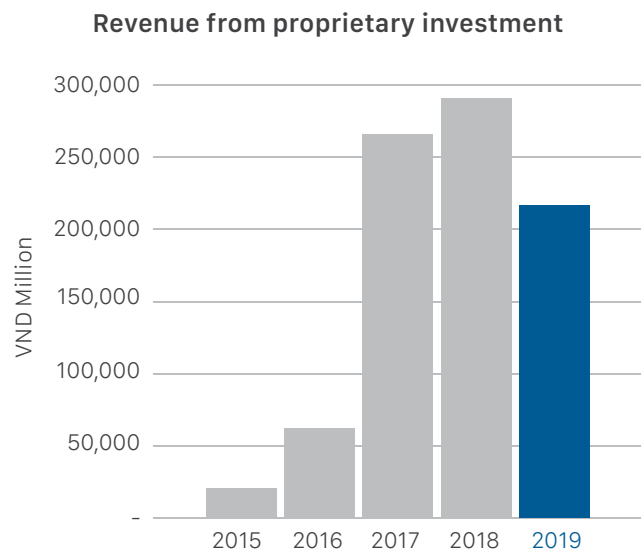
- Continue to complete the advisory contracts that have been signed and are being implemented in since 2019. In particular, the advisory transaction for Orient Commercial JS Bank (OCB) to issue shares for a Japanese strategic partner via private placement has been completed in Q1/2020.
- The short-term challenges for the market due to the coronavirus pandemic can be seen as opportunities for corporate finance business in the medium and long-term. We forecast that after

the pandemic, there will be a boom in the number of M&A deals & private placement deals related to industry consolidation in particular and the economy restructure in general.

- Therefore, we continue to expand and strengthen our relationships with potential customers, recruit high quality personnel, enhance internal cross-selling cooperation to optimize implementation capacity and service quality.

## INVESTMENTS

### PROPRIETARY INVESTMENTS



### TOTAL REVENUE

**222** Billion VND

Contributing  
**TOTAL GROSS REVENUE**

**10%**

At HSC, we think that the most important role of Proprietary Trading Department is to promote the development of new products for the market, through these following activities:

- Market making
- Risk hedging
- Supporting our clients.

Therefore, we only allocate a small proportion for proprietary trading activities itself. In particular, we focus on investing in good stocks at reasonable valuation rather than pursuing the short-term speculation.

## 2019 BUSINESS PERFORMANCE REVIEW (continued)

### INVESTMENTS (continued)

#### PROPRIETARY INVESTMENTS (continued)

Proprietary investment business (VND Million)	FY 2019	FY 2018	% Change	Plan 2019	% Plan 2019
Revenue	222,453	278,344	-20%	209,760	106%
- Stocks	25,932	92,480	-72%	40,568	64%
- Derivatives	45,309	49,270	-8%	60,000	76%
- ETF	3,609	4,085	-12%	10,000	36%
- Covered warrant	11,550	-		5,000	231%
- Client's books	29,171	32,710	-11%	20,000	146%
- Bonds	23,329	8,453	176%	4,682	498%

In 2019, total revenue from all types of proprietary trading activities reached VND222 billion, down 20% y-o-y, but completing 106% of the AGM plan. The decline mainly came from the lower profits for the underlying stocks trading portfolio. Meanwhile, the revenue from derivatives trading activities & ETF transactions remained stable. Especially, through the offering of Covered Warrant products to investors in 2019, although the brokerage fee is quite modest, the profits from the market making & risk hedging are very positive, contributing nearly 10% of the total gross revenue.

2020 is forecasted to be an extremely difficult year for the stock market, due to the impact of the COVID-19 pandemic. The VNIndex has dropped more than 20% since the beginning of 2020, recording the sharpest plummet in history since the first day of market. In such circumstances, the prudent view of trading activities and prestige as one of the leading market makers have shown clear advantages, helping HSC to avoid the loss from market risk as well as having sufficient capital to invest in good stocks at very reasonable prices. Besides, the company still can maintain sustainable profits from buying/selling activities for ETF funds.

#### CAPITAL MANAGEMENT

The most important task of the Capital Management Department is to ensure liquidity in all cases, and be ready to provide sufficient funding for any other business centers with the most reasonable funding cost.

In 2019, HSC successfully acquired a large amount of new capital, ensuring to provide sufficient funding for business expansion. Specifically:

- Increasing shareholder's equity by VND1,256 billion
- Borrowing VND1,160 billion syndicated loans from foreign banks

#### Covered Warrant (CW)

- **TOP 3**  
Company with highest CW listing value
- **33%/year**  
Rate on return
- **15**  
CW listed
- **Prestige in pricing buy / sell**

**The biggest market maker with over 80% of transaction value of E1VFN30 (AUM at USD280 million)**

**6,500** Billion VND  
Total limit

**14** Domestic banks  
granted limits

**US\$50** Million  
syndicated loan from SinoPac Group



## OPERATING EXPENSES

Along with the efforts to increase revenues, HSC also focuses on controlling and allocating operating expenses in the most effective way. Due to unfavorable market factors, revenue decreased by 26% y-o-y. However, operating expenses dropped at a much lower rate, 15% y-o-y. As a result, the ratio of operating expenses/total revenue increased to 58% from 51% in 2018.

In 2019, normal operating expenses decreased by 8% y-o-y. Although more effort will be needed to control operating costs; however, we think that most of expenses increases in 2019 are added value costs that will directly affect revenue growth in the future.

- Salary and other employee-related expenses increased by 3.8% y-o-y, accounting for 46% of total operating expenses (from 41% in 2018), due to the policy of annual salary adjustment and additional recruitment of both senior managers and sales staffs.
- Commission expenses for retail brokers decreased by 57% y-o-y, accounting for only 13% of the total normal operating expenses (2018: 28%). In 2019, HSC reviewed and re-evaluated the performance of all retail brokers based on KPI. Thereby, we have implemented many policies to improve profitability per broker.

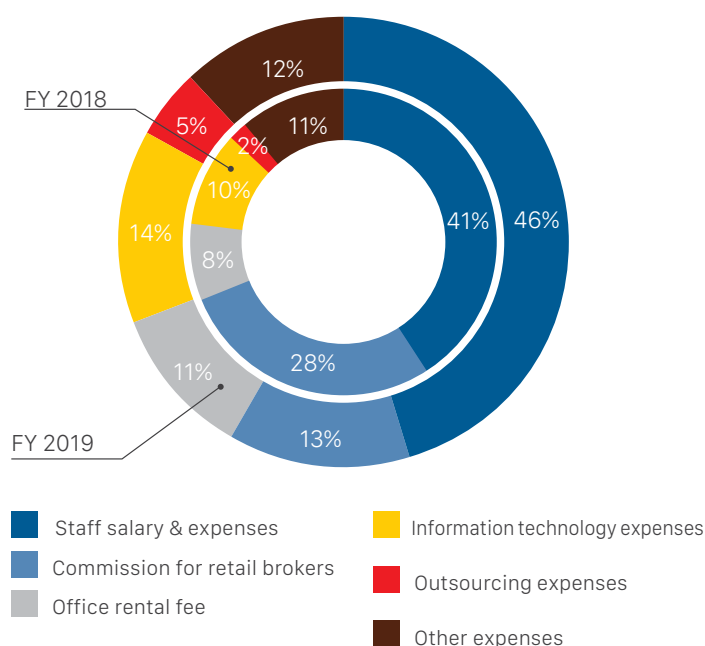
Operating expenses (VND Million)	FY2019	FY2018	% Change	Plan 2019	% Plan 2019
Normal operating expenses	502,151	547,506	-8%	612,101	82%
Brokerage expenses	115,228	158,121	-27%	134,714	86%
Interest expenses	137,144	164,358	-17%	64,033	214%
Provision/(Reversal) for margin loans	(23,573)	(10,058)	134%	3,869	-609%
<b>TOTAL OPERATING EXPENSES</b>	<b>730,950</b>	<b>859,927</b>	<b>-15%</b>	<b>814,716</b>	<b>90%</b>
<b>% TOTAL EXPENSES/ TOTAL REVENUE</b>	<b>58%</b>	<b>51%</b>		<b>49%</b>	

- The cost of upgrading IT infrastructure and IT-related depreciation increased by 28% y-o-y. HSC considers IT innovation to be one of the most important steps to gain a competitive advantage in the future. Especially when foreign securities companies – our major competitors who already owned many advantages of IT infrastructure – penetrate the market quickly and deeply.

- In 2019, HSC began to review the branch profitability, then re-organized our branch network. In particular, the company has reduced some inefficient branches, and renovated some large ones. However, by the end of 2019 and early 2020, the company has basically completed this re-organization & renovation. As a result, rental costs & all related office costs increased in 2019 but are forecasted to decline in 2020.

- Meanwhile, general admin costs such as receptions, per diem, tools & equipment, etc. have been well controlled, down 5% y-o-y.

Normal Operating Expense Breakdown



## BALANCE SHEET

Items (VND Million)	31/12/2019	31/12/2018	% Change
<b>A. CURRENT ASSETS &amp; SHORT-TERM INVESTMENT</b>	<b>7,295,764</b>	<b>5,065,175</b>	<b>44%</b>
I. Financial assets	7,275,687	4,949,942	47%
1. Cash	906,543	117,332	673%
2. Financial assets	1,286,633	851,840	51%
3. Lending	4,696,713	3,262,015	44%
4. Other receivables	385,798	718,755	-46%
II. Other current assets	20,077	115,233	-83%
<b>B. FIXED ASSETS &amp; LONG-TERM INVESTMENT</b>	<b>192,914</b>	<b>191,130</b>	<b>1%</b>
I. Fixed assets	41,889	47,422	-12%
II. Construction in progress	13,597	4,447	206%
III. Other long-term assets	137,428	139,261	-1%
<b>TOTAL ASSETS</b>	<b>7,488,678</b>	<b>5,256,305</b>	<b>42%</b>
<b>A. LIABILITIES</b>	<b>3,184,535</b>	<b>2,195,769</b>	<b>45%</b>
I. Short-term liabilities	3,184,535	2,195,769	45%
1. Short-term borrowings	2,393,727	1,554,132	54%
2. HSC's bong	-	150,000	-100%
3. Other liabilities	790,808	491,637	61%
<b>B. OWNER'S EQUITY</b>	<b>4,304,143</b>	<b>3,060,536</b>	<b>41%</b>
I. Owner's equity	4,304,143	3,060,536	41%
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>	<b>7,488,678</b>	<b>5,256,305</b>	<b>42%</b>

Key ratios	FY 2019	FY 2018
<b>Operation ratios</b>		
Quick ratio	2.3	2.3
Current assets turnover	0.2	0.3
Total assets turnover	0.2	0.3
<b>Leverage ratios</b>		
Total debt/ Total equity	0.6	0.6
Total debt/ Total assets	0.4	0.4
Financial safety ratio	556%	502%
<b>Profitability ratios</b>		
Net profit margin	34%	40%
ROAE	11.7%	23.1%

HSC's total assets grew by 42% y-o-y to VND7,488 billion. The capital raising plan was successfully implemented in Q2/2019 (+ VND1,256 billion) and the syndicated loan (VND1,160 billion) from foreign banks were the two main pillars supporting the assets growth. The margin lending portfolio was expanded strongly, up 44% y-o-y, to VND 4,696 billion.

By end of 2019, HSC's shareholder equity increased by 41% to VND4,304 billion, thanks to retained earnings from 2018 results as well as additional new equity.

HSC maintained all financial ratios in a very good shape. Specifically, the financial safety ratio was 556% by end of 2019, much higher than the State Securities Commission's regulations of 180%. Meanwhile, the debt/equity ratio remained stable at 0.6x which was the lowest among the top 3 securities companies. This low ratio somehow indirectly affected the company's ROE (down from 23.1% to 11.7% in 2019), especially after the successful capital raising in Q2/2019. In 2020, HSC will improve its debt/equity ratio more aggressively to improve ROE.



# OPERATION



## OPERATIONS

In many years, HSC was able to maintain our leading position in the Vietnamese securities brokerage market and we believe our success was mostly attributed by our unwavering commitment to developing and offering a comprehensive ecosystem of products and services to our clients. It is challenging for HSC to maintain the leading position as competition has intensified when more global securities companies were penetrating into the market given the trend of international integration, the growth of the Vietnamese capital markets, as well as the fourth industrial revolution.

However, we believe the Vietnamese securities brokerage market remains highly potential as Vietnam's economy maintains the strong growth impetus. Especially, as Asian countries such as Korea and Japan undergoing a slowdown, Vietnam can emerge as an alternative destination for capital flows, technology and high-quality human resources. Accordingly, there will be tremendous amount of opportunities for well-positioned companies like HSC to capture.

In 2019, our transformative year, we went the extra mile to solidify our position, which will allow us to take leaping steps in 2020 and beyond. Particularly, we implemented the following break-through initiatives:

- Restructured departments under the Operations Division from service-flow-based to functional-based to better serve our clients;
- Invested in R&D activities to launch new investment products that cater to diverse needs of clients;
- Enhanced IT infrastructure, developed new applications for clients and upgraded the IT system to enhance service quality and internal governance efficiency; and
- Strengthened security in client transactions and corporate activities.

### CLIENT CENTRICITY

The client centricity philosophy has always been embedded in the depth and breadth of HSC's operations and strategies. In 2019, we continued to carry out transformative changes to take our client

service quality to the next level. That is one of our most important preparedness for our next growth phase as well as possible changes in macroeconomics.

Previously, operations function was divided into separate functional departments. In late 2019, HSC shifted to a function-based and centralized management model (Front End - Middle End - Back End). The centralized management model aims of offering our clients exceptional experience delivered by a team of professionally trained Client Service Specialists via a shortened but more efficient business process. The model also enables HSC to support our clients timely and effectively.

The adoption of this function-based model is important to the digitization of all services including account opening, money transferring between accounts and banks, portfolio management, notification, activation of additional accounts, custody, and exercise of rights through the Client Service Portal (CSP). This marks a major step in the transformation from semi-automation to full automation of all services HSC is providing to our clients.

### BREAK-THROUGH PRODUCTS

The key factor that helps HSC maintain its leading position in the market in many years is our persistent effort to improve product and service quality. In 2019 alone, HSC issued and successfully listed 15 covered warrants (CW) for 10 underlying stocks including: MBB, MWG, VRE, VNM, HPG, FPT, GMD, REE, TCB, VPB. These warrants appeal to our clients as a new investment product.



## OPERATIONS (continued)

HSC was one of the pioneers in issuing and listing covered warrants. The integrated covered warrant trading system, the strict adherence to principles and professional conducts in market making activities and the fact that HSC's covered warrants prices always closely reflect movements of their underlying stocks have rendered HSC's warrants attractive choices to many investors.

In 2019, HSC also developed new business processes that facilitate seamless connection with custodian banks, which safeguard assets of foreign institutional investors, thereby allowing these investors to trade futures contracts in the local market.

Also, at the end of 2019, HSC successfully launched corporate bond products that the Company underwrote and distributed to individual investors. HSC's clients now can invest their idle funds in high quality corporate bonds that offer more attractive risk-adjusted returns than other traditional products such as bank deposit. Moreover, HSC bond product offers clients guaranteed bond liquidity, allowing investors to flexibly adjust their investment portfolios. This break-through product is just one among many in our pipeline that aims of helping our clients optimize their portfolios and enhance their returns.

Not only is HSC committed to providing the best products to clients, the Company also strives to continuously improve and upgrade its service quality. Our modern trading system allows professional clients such as fund management companies execute complex transactions including structured securities swap and ETF fund certificate purchase easily, safely and most cost-efficiently.

### INFORMATION TECHNOLOGY

#### Building a modern IT platform

HSC considers information technology our key success factor as it determines our ability to achieve digital transformation and to enhance our client service quality. Therefore, we have constantly allocated a great amount of resource to upgrading our IT platform and enhancing the capability of our IT team.

The achievements of the Information Technology (IT) department in 2019 include:

- Upgrading the HSC Trade (mobile) and iTrade (web-based) applications to allow clients to execute trades of underlying securities, derivatives and covered warrants on the same application and with the same experience in user interface and navigation. Investors now can easily manage their investment portfolios, securities positions, and cash balances and transfer money between underlying securities accounts and derivative accounts.
- Implementing a centralized order management system for institutional clients. The system has specialized technologies that enable our institutional clients to centrally manage their trading orders, conveniently track all executed transactions, and effectively set up automated trading orders with large volume of stocks.
- Launching a new securities price board that provides high-speed quote updates, displays quotes of various financial products including stocks, derivatives, covered warrants, component stocks of indices. The new price board also allows users to create their customized portfolios, supporting their investment decision making.
- Developing a toolkit that enables clients to calculate and create covered warrant portfolios on HSC Online website. Particularly, with this toolkit investors can: create a list of covered warrants according to predefined criteria, calculate the number of covered warrants to buy in order to optimize the portfolio, query relevant information about the covered warrants of interest, price the covered warrants, compare covered warrants issued by different securities companies on the same stocks.
- Launching online corporate bond trading system at <https://bond.hsc.com.vn/>. This system allows clients to execute bond trading transactions and perform queries including viewing bond information, selecting investment options, and confirming bond ownership conveniently on computers, mobile phones, iPad, etc. The online system offers clients friendly, simple and fast trading experience. Also, the system enables HSC to process a large number of daily transactions with no operational disruptions that would otherwise be experienced with the manual trading method. That capacity allows us to lower the minimum investment amount to VND20 million to serve more clients.





In 2020, HSC will continue to upgrade our trading platforms to enable clients to execute trades of a variety of financial products.

A robust IT infrastructure would also allow us systemize and digitalize our internal operations to increase labor productivity and system security and to save operational costs. These goals were accomplished in 2019 as the IT Department upgraded the Intranet system to help HSC's functions and departments share update, communicate and interact with each other. HSC has organized a management system for all business applications such as project implementation, information exchange, and data sharing among individuals and departments. Information security is also enhanced through the management and authorization of access to reports and data, and the tracking of users' collection and data usage.

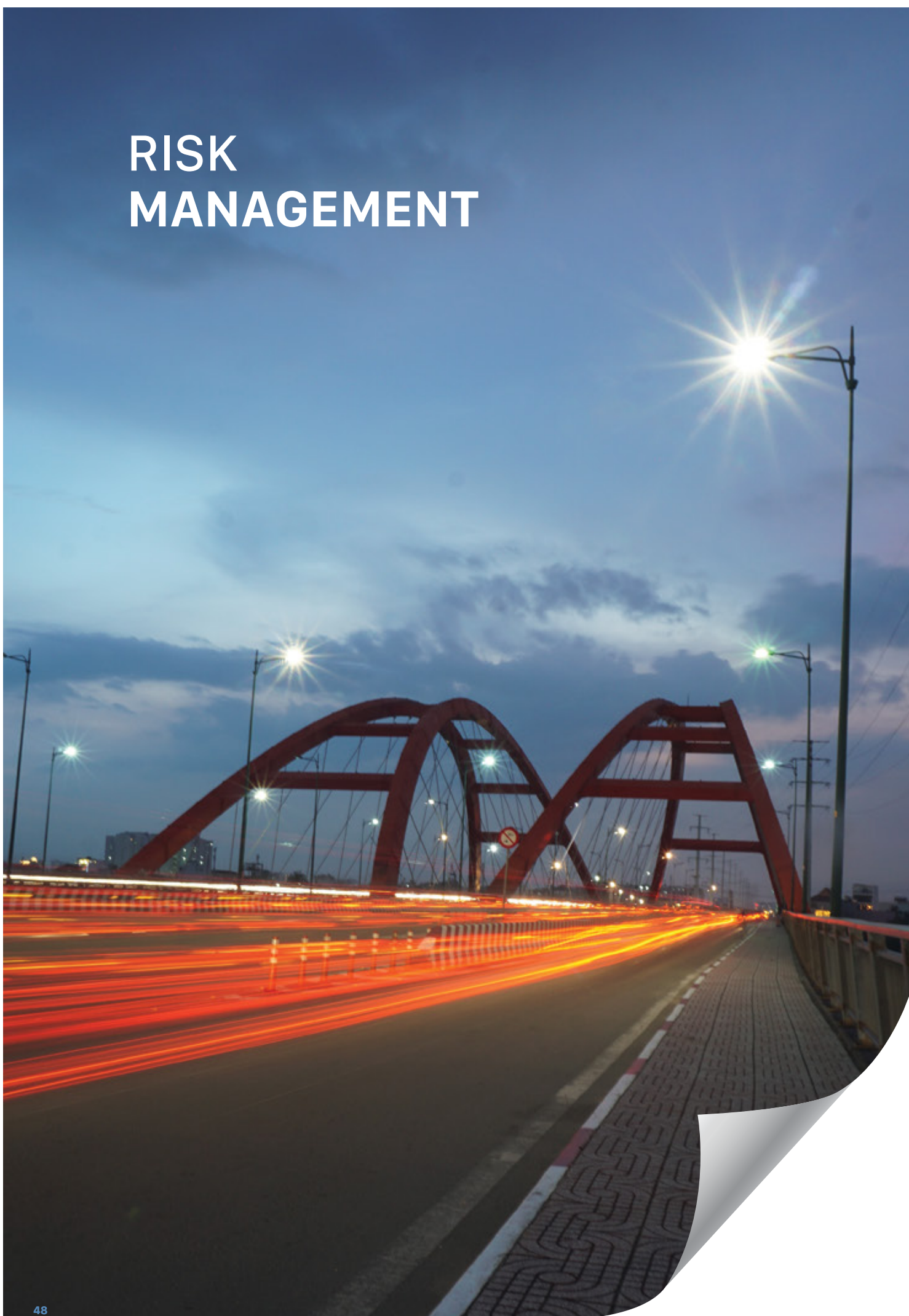
### World-class network security

To protect our client information and prevent operational disruption, we have proactively carried out many preventive steps to manage cybersecurity

risk. Particularly, we launched Information Security Management System (ISMS) in accordance with the ISO 27001: 2013 standard to improve the overall security architecture by reducing and eliminating security vulnerabilities previously identified. Also, HSC required all employees to strictly follow intellectual property policies to ensure data security for all functional departments. Additionally, HSC has successfully built a Data Recovery Center to safeguard important data related to transactions and assets of clients and the Company.

We are confident that our modern, world-class IT platform is capable to meet and exceed our clients' highest demands. Going forward, HSC will continue to enhance client experience and satisfaction by enabling clients to execute transactions at HSC through a simple, convenient and secure system. We believe that our best-in-class IT infrastructure and our endless efforts in upgrading our IT capability will not only allow us deliver exceptional service quality to our clients to enhance their success but also help us further enhance productivity and efficiency to accelerate our sustainable growth in 2020 and beyond.

# RISK MANAGEMENT



## RISK MANAGEMENT

In 2019, HSC continued to refine our risk governance framework following the “three lines of defense” governance model, where each line has a specific role with defined responsibilities and works in close collaboration to identify, assess and mitigate risks. The risk management framework is based

on transparency, management accountability and independent oversight. Risk management has always been viewed as an integral part of our business planning process with strong senior management and Board involvement.



At HSC, we believe that our long term and sustainable business operations should be built on conscious and disciplined risk-taking. Independent risk management, compliance and audit processes with proper management accountability, therefore, are critical to the interests and concerns of our stakeholders. Our risk culture is supported by the following principles:

- We consistently set out the types and risk parameters that we are prepared to take;
- Our risk management and compliance policies and procedures clearly identify accountabilities and responsibilities for taking and managing risks;
- We proactively build risk governance framework and actively monitor risks benchmarking against our own progress;
- We seek to establish resilient risk constraints that promote multiple perspectives on risk, taking into consideration both financial and non-financial risks;
- We promote risk culture where expectations on risk culture are regularly communicated by senior management, reinforced through policies and training, and considered in the performance assessment and compensation processes.



## RISK MANAGEMENT (continued)

HSC has always been leading the industry in risk management standards and best practices. Prudent risk management oversight in line with our strategic priorities is fundamental to our business. The Company's Risk Management Handbook was developed since 2012 and we regularly review and update our risk management practices to ensure consistency with our business activities and relevance to our business and financial strategies.

The primary objectives of risk management are to protect our financial strength while ensuring that capital is well deployed to support business growth and activities. Our proactiveness in risk management is keen to support the Company's strategy and long-term growth without hindering our ability to capture the right market opportunities. The "Client Centricity" approach is emphasized in

risk management supporting functions through the services provided to other Departments, helping them to carrying out works more effectively and confidently, from daily executions to longer term planning.

Processes and procedures initiated by each business unit receive support from Risk Management Department in reviewing against the Company's overall risk framework as well as applicable regulations to ensure aligned risk taking and full compliance. Dedicated personnel of the Department are available to provide timely on-demand consultancy on compliance and legal matters arising in the Company's operation and business conducts, directly adding value to the quality of our customer services and ultimately the bottom line.



# Risk management activities in 2019

The world in 2019 and the coming years has becoming increasingly more complex with wider range of unanticipated market movements. As such, we recognize the importance of seamless and aligned processes that emphasize business continuity and resilience. This year, we reinforced the Company's pursuit of sustainable development with conscious effort to review and update our internal processes and procedures. Effective risk management is not static, but rather disciplined and continuous striving for improvement.

Key activities in 2019 of Risk Management are highlighted as follows:

- The Internal Control and Legal function continued to coordinate with other business operation units, focusing on the Private Client Department, to review and update existing procedures and regulations to reflect actual implementation and conform with newly promulgated laws.
- The Company's strategy and investment into information technology over the years was well reflected in the digitalization of our

backbone operation." All functions under the Risk Management Department, including Compliance, Legal and Internal Control worked closely with the IT Department to step by step bring online identified processes, procedures and reporting mechanism that help risk management activities more effective and prudent.

- The Internal Control function, the Proprietary Investment function and the IT Department worked closely to build reporting functions on the Company's Business Intelligent system to ensure standardizes reports that can be delivered timely and accurately.
- The Legal function supported the expansion of new product portfolio, including warrants and ETFs through legal review and filing. Particularly to warrants, the function closely assisted the filing for issuance of new warrants, helping HSC complete the filing and initiate trading for 15 warrants on HOSE.
- The Legal function provided inputs to 9 points in the Listing Regulations, Information Disclosure and Circular 107 on offering and trading of warrants to ease filing requirements and shorten the approval time of the SSC & HOSE.
- On behalf of HSC, the Legal function engaged in public private dialogue together with other security companies to provide inputs for the 2021 Security Law. Of the 100 points proposed, 20 points was taken into consideration and reflected in the new draft Law.
- HSC, represented our CEO, Mr. Trinh Hoai Giang, was appointed a member to the drafting committee of the guiding degrees for the new Security Law 2021, supported by inputs and consultancy from the Legal function.
- Compliance, Legal and Internal Control functions, through rigorous reviews and updates, worked closely together to strengthen the Company's readiness for the new Regulation and transitioning period in 2020 and 2021.

## RISK MANAGEMENT (continued)

### RISK MANAGEMENT ACTIVITIES IN 2019 (CONTINUED)

HSC is well-positioned for the transitioning in 2020 and the years to come. We take pride in the long-term vision and solid foundation in which risk governance and management are already strongly established. In 2020, HSC will continue to review and update our internal processes and procedures, with priority given to Product Development and Employee Code of Conduct.

The adoption of information technology will progress with the on-going digitalization process. The development of tools such as dashboard is anticipated to enhance risk management capability, particularly in enforcing risk parameters throughout all activities, including margin lending.

Developing a strategy and implementation of Information Security is also in our agenda as we increasingly leverage our technology platform. All functions, Compliance, Legal and Internal Control are to work with IT to set system access authorization as well as review our information security and disclosure to ensure full compliance both online and offline.

## INTERNAL AUDIT

### Commitment to the effectiveness of Risk Management processes

Navigating the increasingly changes and emerging risks in financial and operating environment, HSC leverages our formal and robust organizational structure to ensure the effectiveness of governance and risk management processes. The Internal Audit function, serving as the third line of defense in our "3 Lines of Defense" risk governance model, contributes to the Company's accomplishment by bringing a systematic, disciplined approach to evaluate and improve the efficacy of risk management, control and governance processes.

This structure provides assurance of how effectively HSC assesses and manages risks and the effectiveness of the first and second lines of defense. Internal Audit encompasses all elements of the Company's risk management framework, from risk identification, risk assessment and response, to communication of risk-related information, and all categories of organizational objectives: strategic, ethical, operational, reporting and compliance.

Measuring up to recognized International Standards, the following practices are established and implemented to ensure that the Internal

Audit function maximizes its contribution to good governance:

- The roles and responsibilities of the Internal Audit function are clearly defined and communicated across HSC.
- Internal audit reporting line to the Board of Directors, through the Board Audit Committee, maintains independence and the ability to make objective judgements.
- Internal audit must be properly resourced, including ensuring a consistently high level of professionalism and quality based on the international standards, plus appropriate knowledge, skills and experience.
- Internal audit has unrestricted access to all functions, information, data, records, property and personnel sufficiently and adequately to carry out the assigned roles and responsibilities.
- Internal audit's scope is unrestricted, including all areas of risk – such as key corporate events, culture and ethics, reputation, new products and the outcomes of processes.



## Pursuit of Continuous Improvement

In addition to fulfilling its core function in organizational risk management, Internal Audit at HSC plays an instrumental role in benchmarking the Company forward. Annually, based on audit results, the Internal Audit function will advise recommendations independently and objectively to enhance operational efficiency and value at HSC. In 2019, guided by systematic and methodical analysis, the Internal Audit function focused on addressing emerged risks that posed a significant impact on the Company's performance, including cyber security, operational risks and information technology. In light of our risk assessment, the following reviews were carried out in 2019:

1	<i>Anti-Money Laundering Activities (annual audit) – completed</i>	✓
2	<i>IT and Cybersecurity (2nd review) – completed</i>	✓
3	<i>IT and Cybersecurity audit follow-up result – completed</i>	✓

The Internal Audit function continued the transition of internal audit methodology to incorporate performance audit plans along with the fundamental risk-based audit methodology. This change aligned with HSC's strategic development and reinforced the role of Internal Audit function as a value-adding service, centering around customer services and experiences.

Specifically, in 2019, Internal Audit revisited the key client-facing unit of our core business, the Private Client Department (PCD) to initiate the 2<sup>nd</sup> audit project of the Human Resource Management Process. The objectives of the review are as follows:

- Obtain understanding of the current PCD organization structures, governance and operations;
- Identify and assess the risks which may prohibit the business meeting its objectives;
- Determine the status of controls;
- Assess the adequacy and effectiveness of the controls;
- Benchmark PCD organization structure, compensation structure, performance system with best practices.

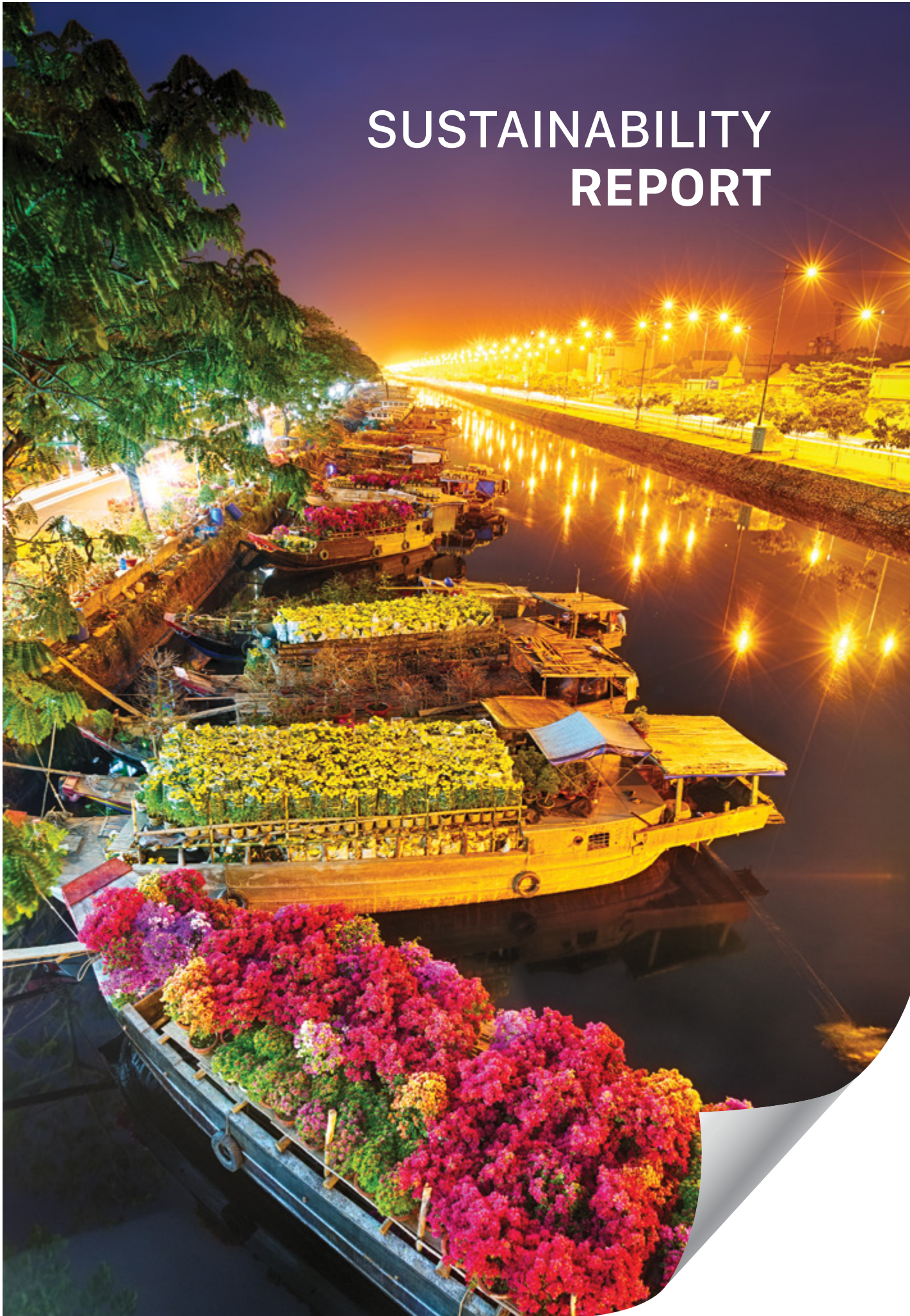
Emphasizing our role and responsibilities in supporting and adding value to the overall organization, the Internal Audit function considers HSC's business operation units our serving customers. We took a holistic approach to position ourselves as an integrated and relevant part of the units under review. The overarching aim of internal audit is to capture the potential from improvement in the company's risk management, control, and governing processes. The teamwork and shared-purpose mindset helps HSC to bridge Board of Management's strategy with operation implementation, facilitating buy-in for new initiatives, including the information security set-up, and the PDC review and re-structuring.

## Internal Audit Activities in 2020

Emphasizing the performance audit approach, the Internal Audit function, assisted by KPMG Vietnam will focus on addressing operational efficiency and cost optimization that can contribute to the Company's bottom line. Therefore, internal audit activities in 2020 will focus on the following projects:

<p><b>01</b></p> <p><i>Anti-Money Laundering Activities (annual audit)</i></p>	<p><b>02</b></p> <p><i>Procurement to Pay (1<sup>st</sup> review)</i></p>	<p><b>03</b></p> <p><i>Company's Cash Receipt and Payment Management (1<sup>st</sup> review)</i></p>	<p><b>04</b></p> <p><i>Human Resource Management Process for Private Client Department (2<sup>nd</sup> review) – continued</i></p>
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# SUSTAINABILITY REPORT





## OVERVIEW

Through the development of the Vietnamese capital markets, HSC has been able to prove its leading position not only by the prestigious local and international awards but also by the enormous amount trust from our shareholders, investors, clients and partners. As an advocate of sustainable growth, we strongly commit to integrate Environmental – Social – Governance (ESG) factors in both regular business activities and long-term business strategies and plans.

Accordingly, we have always holistically considered interests of all relevant stakeholders in our decision-making.

 <p><b>CLIENTS</b></p>	<ul style="list-style-type: none"> <li>▪ Corporate prestige and responsibilities</li> <li>▪ <b>"Client centricity"</b> in designing and improving products and services</li> </ul>
 <p><b>LABOR</b></p>	<ul style="list-style-type: none"> <li>▪ Friendly and motivating working environment</li> <li>▪ Compensation, benefits and income</li> <li>▪ Promotion opportunities</li> </ul>
 <p><b>SHAREHOLDERS &amp; INVESTORS</b></p>	<ul style="list-style-type: none"> <li>▪ Fair treatment and protection of shareholders' interests</li> <li>▪ Profitable and sustainable business performance</li> <li>▪ Disclosure</li> </ul>
 <p><b>LOCAL COMMUNITY</b></p>	<ul style="list-style-type: none"> <li>▪ Economic development enabling</li> <li>▪ Local human resources training and utilization</li> </ul>
 <p><b>REGULATORS</b></p>	<ul style="list-style-type: none"> <li>▪ Adherence to the regulation in development and doing business</li> <li>▪ Regulatory compliance</li> <li>▪ Adhere to general responsibilities</li> </ul>
 <p><b>COMMUNICATION &amp; PRESS</b></p>	<ul style="list-style-type: none"> <li>▪ Sustainable and transparent relationship</li> <li>▪ Willing and open in information disclosure</li> </ul>

## SUSTAINABILITY REPORT

### CLIENT CENTRICITY

As we strategically shifted our focus from “product centricity” to “client centricity” to offer the best end-to-end service experience, we took up to transform our service model, from Front End, Middle End to Back End. Business functions are now connected through an end-to-end operation process designed on the “Client centric” philosophy.

#### Client Behavior Insights

Since our first day of business, HSC has taken up endless efforts to develop a comprehensive understanding of clients and their demands as we believe that is crucial for us to serve our clients better. Client financial and non-financial information is collected through different channels, including brokers, customer service agents and online touch point system. The collected information is processed, analyzed and stored in database built upon most advanced and secure platforms. The stored data is then used to develop comprehensive client management reports, which are available to relevant departments to enhance their client service support.

Also, as we understand our clients across segments and their needs, we have been able to make right decisions on product development and improvement, and client support drawing upon our in-depth client analysis and insights.

#### Pioneer in Designing End-to-End Products - Services

At HSC, in the light of our continuous improvement philosophy, we highly value and seriously consider our clients’ feedback as these are invaluable inputs for the designing and enhancing of our products and services. We deeply understand that our clients always demand for higher quality, better experience and more diversified services. Therefore, we take an inclusive approach across stages in our product and service development process from market study to product development, launch, operation to after sales service. Additionally, we integrate advanced technology into the process and right at the first stage to enhance client experience.

In 2019, HSC launched E-broking (www.online.hsc.com) as a strategic addition to our traditional broking channel. The new channel allows investors

to experience online services including account opening and investment consulting and training, and to access to our analysis reports. Our efforts in developing and fine-tuning the channel are well paid off. E-broking has been well received among clients and therefore has helped us attract and retain clients effectively.

Our client-centric approach has also allowed us to timely recognize an emerging trend in which clients prefer comprehensive investment solutions more than stand-alone investment products. Therefore, in 2019, we developed an Asset Management Service platform for our retail clients to tap into the potential market segment. We also introduced the first investment product in the platform - corporate bonds, which are solely structured and distributed by HSC. We believe the great combination of user-friendly and rigorous platform with flexible and safe investment products that are customized to match different clients’ risk appetites will set HSC apart from our competitors in this market segment.

The evolvement of technology and digitalization have allowed us to constantly enhance our ecosystem of products and online client services. In addition to developing new products and services, we are also focusing our resources on digitalizing our securities services including opening securities account, transferring fund, depositing money and securities, and managing client asset and information, etc. Upon completion of the transformation, our clients can execute their orders on our Client Service Portal (CSP) at anytime from anywhere without having to be present physically at transaction offices or require brokers. Client requests will also be handled quickly and safely via an entirely automated front-to-back operating process.

### Listen and Interact 24/7

To help our clients quickly access to relevant information on our products and services as well as to provide feedbacks, we have developed and maintained multi-channels of client interaction. Client feedback is gathered from traditional channels including HSC branch and transaction office network, advisors and brokers, and from digital channels including company website (www.hsc.com.vn), client service hotline 1900 636766, social network Facebook (FB: Công ty chứng khoán HSC; FB – Dong tien thong minh). The portals are regularly updated with new information on HSC products, services, investment advices and client support.

### Complaint and Feedback Handling

HSC always considers client feedback and complaints valuable inputs for our product and service development and enhancement. Client feedback and complaints are collected from all channels, exhaustively analyzed and seriously handled via a comprehensive client-complaint-resolving process, which involves all relevant departments. In resolving and responding to client feedback, we always consider client right and interests first to ensure our clients agree and are satisfied with our recommendations or decisions, which at the same time must be in compliance with our policies.

### Multilayer Cyber Security

At HSC, we have been making great efforts to protect our client information at the highest level of data security amid emerging risks of client information leakage and 'theft'. We have built and implemented a rigorous process for client information capturing and accessing, which has a clear and strict delegation of authority aligning with functions and responsibilities of people and departments involved. The Security Management System (ISMS) system is operated and frequently checked by our well-trained IT specialists following the ISO 27001:2013 guidelines. That is the most advanced client information security technology system in the industry and has been certified by world-class information security certificates.

## STRONG INVESTMENT IN PEOPLE

### Rights, Benefits and Income

Ho Chi Minh City is a vibrant but highly competitive labor market, especially among companies in same industry, Therefore, to attract and retain talent, HSC has been not only building a friendly and professional working environment but also offering our employees generous compensation packages, In addition to social insurance and health insurance as required by law, we also offer our employees other benefits including accident insurance, employee stock options, and referral fee for successful deals,

Payroll expenses	2019	2018
Salary	168,938,720,045	142,277,324,771
SI, HI and union charge	21,792,060,352	18,223,521,000
Unemployment insurance	1,263,752,600	1,065,905,999
Other wage and bonus	106,258,169,671	215,924,944,225
<b>Total</b>	<b>298,252,702,668</b>	<b>377,491,695,995</b>

In 2019, HSC issued nearly 6,5 million shares to eligible employees for their contributions, which were measured based on specific criteria, We have been maintaining this employee benefit plan since 2007 as it is a highly effective tool for employee reward and retention and as it generates a considerable source of income to employees,

Most recently, HSC offers birthday leave and gym membership to all employees to help them recharge and motivate them maintain healthy lifestyle,

## SUSTAINABILITY REPORT (continued)

### STRONG INVESTMENT IN PEOPLE (continued)

#### Coaching and Technical Training

We believe employee training and development is highly beneficial for HSC to groom a solid team of successors, whose competency and capability are critical for HSC's future growth.

In a highly competitive and fast-paced market, regular training courses to provide employees the most-updated industry news and regulations and to help them enhance existing skills as well as acquire new skills are highly important for us to serve our

clients. We offer both financial and time off support to our employees including interns and part-time employees to participate in internal training courses and external finance and securities-related courses and programs such as CPA, ACCA, CFA, Securities Law, and other certified training courses required by the State Securities Commission. We also have our employees attending technical training courses organized by SSC, HOSE, and HNX.

Courses	2019	Attendance
(All courses, including recurring courses, e.g. securities technical training)	50	1,507
1 Internal training	7	721
2 Securities practice certificate training	25	661
3 External training – Skill and expertise development	19	125
<b>Turnout</b>		<b>1,507</b>

In 2020, HSC will continue to promote our learning and development culture among staff and to improve our training capacity through launching of HSC Online Training Center.

The training platform adopts advanced digitalized technologies and will be able to accommodate a large number of users. Our target is to provide intensive online training courses to all employees to make them more capable and adaptive to market landscape changes and HSC's strategic development.





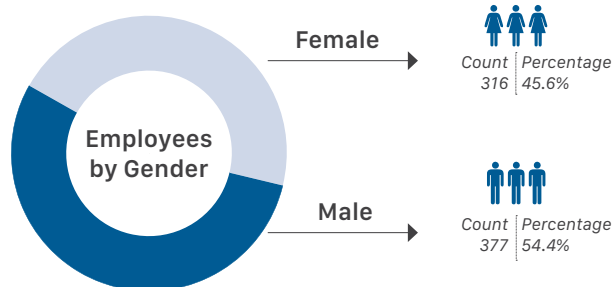
## Fair Job and Promotion Opportunities

HSC's new hire rate in 2019 was 15%, which was much lower than the industry despite a strong competition in the labor market as new foreign-owned securities companies offered attractive packages to attract talents. Notably in 2019, the number of employees having more than five years

with HSC accounted for 42% of total headcounts as HSC's efforts in offering best-in-class working environment and competitive compensation bore fruit. We believe these experienced employees will play pivotal roles in HSC's future success.

Headcount	Seniority				
	≤ 2 years	From 3 - ≤ 4 years	From 5 - ≤ 6 years	From 7 - ≤ 9 years	≥ 10 years
693 employees	284	118	70	124	97
%	41.0%	17.0%	10.1%	17.9%	14.0%

Additionally, gender equality has been also an important consideration in our human resource development strategies. Our gender balance is among the best in the industry and is aligned with gender recommendations of the world-best labor codes and corporate governance standards.



## Modern & Safe Working Environment, Healthy Lifestyle

In 2019, to further enhance our already friendly, professional, and efficient working environment, we implemented the following initiatives:

Human Resources Information System (HRIS)	Employee Engagement Survey	Employee Performance Management (EPM)
We launched the HRIS system, which integrates advanced technologies to human resource and payroll expense management. The system also allows employees to easily manage their own time sheets and update personal information online, helping them save time on paperwork. This is one of our efforts towards a stress-free working environment.	HSC's leadership team has been highly focusing on enhancing cohesiveness and making positive changes amongst employees. We have just launched a "Happy Human Resource" survey, which was engaged by 83% of our employees. The survey aimed at providing us a comprehensive understanding on employee view on HSC's working environment and their level of happiness. Outcome of the survey will help us identify areas for improvement as well as appropriate solutions.	The EPM is a comprehensive employee key performance indicator (KPI) assessment program, which facilitates assessment of employee performance and recognition of employee contributions to HSC overall performance in a year as well as setting employee long-term development plan in following years.

## SUSTAINABILITY REPORT (continued)

### MAXIMIZING SHAREHOLDERS' VALUES

As at December 31, 2019, HSC had 5,703 shareholders including 139 institutional and 5,640 individual shareholders. Over the last few years, HSC has consistently maintained an attractive dividend policy of or above 12% par value cash dividend, generating a stable source of income to shareholders. Additionally, we have been constantly making great efforts to enhance our performance, strengthen our position, and to be transparent to shareholders on our corporate activities such as capital raising to facilitate shareholders' assessment of HCM's intrinsic value. We have allocated a considerable amount of resources to investor relation activities to ensure that shareholders can access to relevant information accurately and timely.

Investor Relations activities are handled by Communication department. Through annual general meetings and annual reports, HSC shareholders are well informed of the Company's performance as well as strategic activities including initiatives and sustainable development. In addition to traditional investor relation channels, HSC has launched many other communication channels including: quarterly investor and press meetings to provide update on financial performance as well as other important information to existing and prospective investors.

To ensure that all stakeholders who are interested in HSC's performance are timely updated, we have built and frequently updated shareholder and investor database. Additionally, HSC has been willing to respond to shareholder and investor queries in investor meetings and on ad-hoc basis.

### International Good Corporate Governance Practices

Strengthening corporate governance is HSC's long-term commitment and we have made tremendous amount of effort to uphold and align our corporate governance standards with those of the world best. Particularly:

- BoD has carried out necessary activities as stipulated in the Company Charter and as required by law such as the number of BoD meetings and BoD member attendance.
- The roles of executive and non-executive directors are clearly defined to prevent conflict of interests and to ensure that all BoD decisions are ultimately for the interests of HSC and its shareholders and to ensure equal treatment among shareholders.
- The implementation of AGM resolutions and BoD decisions is closely supervised to ensure that the resolutions and decisions are carried out in adequately and timely manners and in compliance with law.

In addition, our corporate governance structure was also built upon the best practices guided in the Principles of Corporate Governance of the SSC with BoD advisory and supporting committees in place to ensure independence and efficiency.

We acknowledge that our current the BoD structure has not fully complied with Decree 71/2017/ND-CP, which requires one third of the BoD members are independent directors, despite our efforts in seeking qualified independent BoD members. The shortage of senior executives in the Vietnamese capital markets as Vietnam Institute of Directors was just founded in 2018 is the major obstacle not only for HSC but also for its peers in seeking for competent independent directors. That being said, in 2020, we will introduce a roadmap for seeking independent directors to comply with the applicable regulations.

## SUPPORT TO SUSTAINABLE DEVELOPMENT



### Nurturing the Young Generation

HSC has been always willing to provide necessary support to help the next generations to thrive by cooperating with educational institutions, non-profitable and non-governmental organizations in incubation programs and succession planning. In addition to financial aids, we offer interns good opportunities to gain hands-on experiences, which are invaluable for their career path after college.

### Spread the "Pay it Forward" Spirit

VietSeeds Foundation is a non-profit organization committing to providing equal chance to all Vietnamese students to access to tertiary education, regardless their financial condition and geographic location.

In 2019, HSC granted 10 scholarships with a total value of US\$15,000 through VietSeeds. In addition, HSC committed to providing mentorship to help students navigate paths to post-graduation career opportunities. We are proud that our efforts have motivated students to develop required skills, be more confident in exploring prospective career opportunities, and eventually be able to make meaningful contributions to community.

In the light of the "Positive Impact" philosophy, HSC will continue to make long-term commitment to impactful initiatives like VietSeeds to incubate new generation of talents with right attitude and strong capabilities.

### Grant the Hope

Initiated by PCD Think Vuong, a group of young and charity-enthusiastic people at HSC, the "Journey of Passion" program has organized many trips to bring love and necessities to dis-advantaged children at orphanages and disable centers, etc. The gifts and scholarships granted by HSC offered not only economic benefits but also mental relief to the little children.

In 2019, PCD Think Vuong held 11 gifting events across provinces in Vietnam. In addition, PCD Think Vuong supported local communities to build schools (with Green Dream Funds) and bridge to provide seamless traffic in U Minh - Ca Mau.

The Firm also granted 10 scholarships to outstanding students and paid tuition fee and medical insurance for primary school students at Thanh Tam orphanage.

## SUSTAINABILITY REPORT (continued)

### RESPONSIBILITIES TO THE STATE

“ HSC has also been a pioneer in market development activities, providing invaluable inputs to new investment product development and securities market legislation revision.”

HSC considers fulfilling financial obligations to the State an effective way to contribute to socioeconomic stability and development. In 2019, we made a total contribution of VND296 billion to the State budget, which was comprised of HSC's business income tax and clients' tax advance payment. We are proud about not only being among the top tax contributors in the V1000 - Top 1,000 Contributors of Corporate Income Tax in Vietnam but also our ability to move up the rankings over years. Particularly in 2017, HSC was ranked the 95th largest tax payer.

#### **Deliver the Responsibilities of a Securities Company and a Listed Company**

HSC has been not only well-known for as a leading securities company but also recognized by HOSE and HNX as a role model firm. HSC has always complied with laws, regulations, and business ethics and being transparent regarding financial reporting and disclosing. HSC also excels in investors relations activities, providing shareholders and investors relevant information as well as consulting them about business plans.

HSC's management team structure complies with Vietnamese laws and is aligned with the best corporate governance practices of companies in the G20/OECD economic group. HSC was honored to receive the Best Annual Report award in many years and the Best Corporate Governance award in 2019 from two Stock Exchanges and Vietnam Investment Review. These are market regulators' recognition to our transparent and sustainable corporate governance development efforts.

# REPORT OF THE BOARD OF DIRECTORS

## 2019 PERFORMANCE EVALUATION BY THE BOARD OF DIRECTORS ("BOD")

### Evaluation of BOD performance in 2019

#### Vietnamese Stock Market in 2019

In 2019, the global economy entered a lower growth trajectory. That coupled with the notorious trade dispute between the US and China and other geopolitical risks led to a surge in uncertainty level across the globe. Consequently, global business confidence, investment decision and global trade were negatively impacted.

Despite the challenging global environment, the Vietnamese economy was able to prove its strong resilience and delivered impress growth. The Vietnamese stock market was benefited and therefore attracted strong flow of global investment capital. Accordingly, the market achieved impressive growth across major aspects and was the best performing stock market in Southeast Asia. However, the stock market witnessed a high level of volatility during the year; healthy gains in some trading days were followed by sharp falls in the later days. In addition to the volatility, stock market liquidity was also a major concern as the average daily trading value was only at VND4,659 billion, a dramatic decrease of 28.8% y-o-y. VNIndex closed at 961 points in the last trading day,

an increase of 7.7%, while the HN Index closed at a lower point of 102, a 1.7% decline y-o-y.

#### HSC's Business Performance in 2019

Although the fundamentals of the Vietnamese economy remained solid, the stock market was negatively affected by the above-mentioned external factors including the global trade uncertainty. Therefore, investors took a cautious approach to investing in the stock market. HSC's performance was impacted consequently. In 2019, HSC achieved VND1,262 billion of revenue and VND433 billion of net profit, y-o-y declines of 26% and 36% respectively, delivering 64% of the business target approved at the AGM.

HSC's securities market share in 2019 was 10.8%, which was lower than last year of 11.4% and below the 2019 target of 12.3%. HSC's market share in the derivatives market in 2019 was 9.8%, a significant decline over the 22.6% market share in 2018. However, on the positive side, the average daily total number of contracts was 88,700, a y-o-y increase of 13%.

### BoD Supervision of the Chief Executive Officer and Board of Management

In 2019, the BoD maintained close supervision of activities of the Chief Executive Officer ("CEO") and Board of Management ("BoM") in implementing the resolutions approved by the AGM and BoD, with details as follows:

#### 1. Methods of Supervision

The BoD and the Supervisory Board (BoS) cooperated closely to supervise HSC's business operations. This high level of understanding has enabled the two Boards to support and guide the CEO and BoM in implementing the corporate plan and fulfilling their core responsibilities. Representatives of committees of the BoD presented regularly at BoD meetings as below:

- The Risk Management Committee reported on all significant risks, such as liquidity risks, credit risks, and capital risks arising in each quarter, in the first half and in the year, and proposed recommendations and necessary actions for risk mitigation.
- The Internal Audit Committee reported on the number of internal audits conducted in each quarter, in the first half of 2019 and in the year including the audit findings, and any audit recommendations to strengthen the internal environment and to ensure that internal audit system operates effectively.
- The Remuneration Committee reviewed, evaluated, and approved compensation, benefits, and remuneration policies for 2019.

## REPORT OF THE BOARD OF DIRECTORS (continued)

### BOARD OF DIRECTORS (continued)

At all times, the BoD and the BoS assessed feasibility of action plans and recommendations, thereby proposing solutions that were more practical and appropriate for the Company's operations.

The BoD issued resolutions after each periodic and ad-hoc meeting to approve quarterly, semi-annually, and annually business results and business plans and other business matters under the BoD's authorization. At the same time, the BoD also provided strategic guidance, assessments of the market and overall economic circumstances to support reviews of business plans for upcoming quarters. The CEO, the BoM and the BoD maintained regular communication and interaction throughout the year. That collaborative approach supported the implementation of policies and supervision of results of those policies to ensure that the overall objectives of HSC were achieved.

### 2. Supervision Results

The summary of 2019 financial performance is as follows:

Unit: VND million

Target	2019	2018	Change ratio (%)	2019 Plan	(%) 2019 Plan
Revenue	<b>1,262,298</b>	1,702,011	- 26%	1,666,107	76%
Profit before tax	<b>531,406</b>	842,186	- 37%	851,391	62%
Profit after tax	<b>432,565</b>	675,480	- 36%	681,113	64%

### 3. Conclusion

In accordance with HSC's Charter, policies and procedures, the BoD authorized the CEO and BoM to implement and manage day-to-day operations of HSC, and to ensure the deployment of resources to pursue strategic decisions that were aligned with approved business plans. Through the mechanism of reporting on periodical inspection, supervision, financial performance, the daily operation of the Company, and reporting on unexpected affairs as required, the BoD concluded that the CEO and the BoM successfully and compliantly exercised their rights and duties in accordance with the prevailing laws, as well as the Company Charter and other resolutions as discussed in the 2018 AGM.

Additionally, the BoD exercised its assigned rights and responsibilities in a manner that was prudent, professional, and demonstrated integrity to ensure the maximum legitimate interests of the Company and its shareholders were attained. Moreover, the CEO and the BoM made their best efforts to deliver and exceed the business objectives approved by the 2018 AGM. At the same time, the CEO and the BoM also well achieved an important accomplishment - to further fortify the already-solid business environment at HSC where the main focuses were sustainable development, strong corporate governance, and the enhancement of risk management enhancement and control.



## The Vision and Strategic Plans of the Board of Directors

In 2020, the regional and global macroeconomic conditions are expected to remain challenging. The global economic, trade, and investment growth will recovery slowly as the trade conflicts amongst major world economic forces and the virus pandemic progress unpredictably and negatively impact many countries including Vietnam economically and socially.

The Vietnamese stock market in 2020 will be affected by the following major factors:

- The trade negotiation between the US and China might turn negative despite the conclusion of first phase agreement.
- The Covid-19 pandemic might cause serious disruption of the global supply chain and consequently negatively impact the global economy.
- Securities companies might continue the unsustainable race to lower brokerage fee upon the removal of the floor brokerage fee.
- Covered warrants are expected to become a good substitute of underlying securities of companies that have no room for foreign investors. The products will be more attractive to investors when the stock market stabilizes.
- The launch of ETFs replicating the new indices of Ho Chi Minh City Stock Exchange such as the VN Diamond, VN Fin Select and VN Fin Lead indices is expected to attract indirect investment capital into the market.
- The legal framework of the capital markets – the amended Securities Law will become effective in 2021 and will strengthen transparency of the market and boost quality of its products. Accordingly, the

amended law will enhance the management and supervision of policies makers as well as facilitate capital raising activity of Vietnamese companies.

Based on the stock market outlook, the BoD will strategically focus on the followings in 2020:

- Developing a strategic business development plan;
- Promoting and solidifying the core business activities and fundamentals of the Company by further developing the human resources, fortifying corporate governance system and risk management and compliance processes, and increasing involvement of IT across the services, products, and operations of the Company.
- Enhancing corporate governance, risk management and risk control systems, especially in financial management, accounting and business auditing functions by improving the competencies of the Committees under the BoD and BoD members.
- Continuing to enhance the transparency of HSC's operations towards sustainable growth in the long term by proactive engagement on corporate social responsibility initiatives.



## CORPORATE GOVERNANCE IN 2019

HSC believes that strong corporate governance is one of the key factors for building a solid corporate foundation that delivers sustainable business value, enhances long term competitive advantages and reputation of companies. Having these strengths will facilitate companies' capital market access, which in turn supports growth of the capital markets and the economy.

HSC's approach to strong corporate governance is to promote a culture of shared belief, transparency and accountability, which are crucial for the Company to pursue long term growth, financial stability and business ethics. Our top priorities are to maximize financial and non-financial values for shareholders, stakeholders, and partners, to attract investors, to maintain an effective capital raising approach, to strengthen risk management, to rationalize expenses and optimize operations.

We have strong commitment to the excellence in corporate governance standards, which we believe the foundation of the development of our business. In order to maximize corporate value, HSC focuses not only on achieving business development goals for revenue and profit growths, but also on enhancing our corporate governance in line with international best practices. The combination of growth strategy and good corporate governance will help us maximize our resources and effectively exploit opportunities to create sustainable value in the long run.

### BOARD OF DIRECTORS

The BoD is responsible for ensuring that the best corporate governance practices are applied throughout the Company. The BoD has been and is going to implement the best corporate governance standards from the highest level of management board to every HSC employee as the foundation to achieve the Company's goals. Not only that, it is empowered by HSC to carry out its role and responsibilities and fulfil its obligations to shareholders, as well as to enhance corporate value.

HSC's BoD is accountable to the shareholders for the operations of the Company. The BoD is mandated to not only fulfil its roles and duties in formulating growth strategies for the Company and managing risks facing its operations, but also be the pioneers in promoting HSC's corporate culture and values both internally and externally to the shareholders and other stakeholders.

“We have strong commitment to the excellence in corporate governance standards, which we believe the foundation of the development of our business.”

### Members of the Board of Directors

HSC's BoD comprises seven (07) members, including the Chairman, five (05) non-executive Directors and one executive Director.

All members of HSC's BoD are senior executives, who have strong managerial capabilities and in-depth knowledge and experience in law, corporate finance, and Vietnamese capital markets. The structure of HSC's BoD has a good balance of non-executive and executive members and complies with the Enterprise Law in terms of the number of independent board members.

### Activities of Non-executive and Independent Members of the Board of Directors

#### Assessing the independence and tenure of independent members of the Board of Directors

The independence of a member is not based on the length of time served on the Board of Directors, such as five (05) or nine (09) consecutive years, as stipulated by Vietnamese statues. There are many other factors including the skills and knowledge, quality of advice, experience, ethical standards, and especially integrity and objectivity. The strengths of independent members are their understanding and insights regarding the core business, and their depth of analysis and critical thinking in making the right decisions.

There are two independent board members, Mr. Do Hung Viet and Mr. Pham Nghiem Xuan Bac, who have served more than 10 years, and have exceeded the statutory limit of nine years. After consulting the current legal regulations, as well as international practices, HSC's BoD recognizes that the independence of the two members in making decisions related to HSC operations remained intact. The board members have still been able to review HSC's operations and to make recommendations from an independent perspective. Additionally, they have made valuable contributions to the development of the Company. Therefore, the Company decided that, even though the re-appointment of these two members were not in compliance with the current regulations on independent members of the Board of Directors, in terms of nature, they do play an important role as independent members of the Board.

Although HSC is evaluating the independence of the members of the BoD from the perspective of their roles and contributions to the development of the Company, the BoD is also building a roadmap for selecting and appointing qualified independent BoD members to align their contributions with the requirements of the applicable laws and HSC's internal regulations.

**Assessing the independence non-executive members of the Board of Directors**

The non-executive members of HSC's BoD are representatives of two major HSC shareholders: Ho Chi Minh City Finance and Investment State-owned Company (HFIC) and HSC's strategic investor, the Dragon Capital Group (DC).

HSC's assessment of the independence of its non-executive BoD members is based on their capabilities, knowledge and experience on law, corporate finance, and the capital markets, as well as on their soft skills. Their decisions and contributions to the development of the Company are made from their independent standpoints. Although they have dual roles and dual responsibilities, they have been able to separate these roles when making relevant and important management decisions and successfully accomplished their duties.



**Separation of Chairman and CEO roles**

The separation of the role of the Chairman and the CEO reflects independence and a clear division of responsibilities between the BoD and the BoM to ensure a fair division of powers in decision-making, increased accountability and enhanced governance. The powers and duties of the Chairman and the CEO are clearly stated in the Company Charter.

HSC's Chairman has been on the BoD since its inception. He was appointed in 2007 and is currently in his fourth term on the Board.

**Roles and responsibilities of the Board of Directors**

Under the Enterprise Law and HSC's Charter, the BoD is the governing body of the Company and has full authority to act on behalf of the Company to exercise its rights and obligations beyond the authority of the Company's Annual General Shareholder Meetings. The BoD is responsible for monitoring HSC's operations to ensure that the Company complies with all applicable laws and its Charter, as well as internal regulations, and to assure the rights of its shareholders and stakeholders.

Accordingly, the major roles of the BoD are:

- Developing the Company's long-term strategic plan;
- Building and enhancing the Company's competitive advantages
- Responding to major business challenges when they arise
- Developing the Company's core competencies
- Creating and enhancing value for Company stakeholders

## CORPORATE GOVERNANCE IN 2019 (continued)

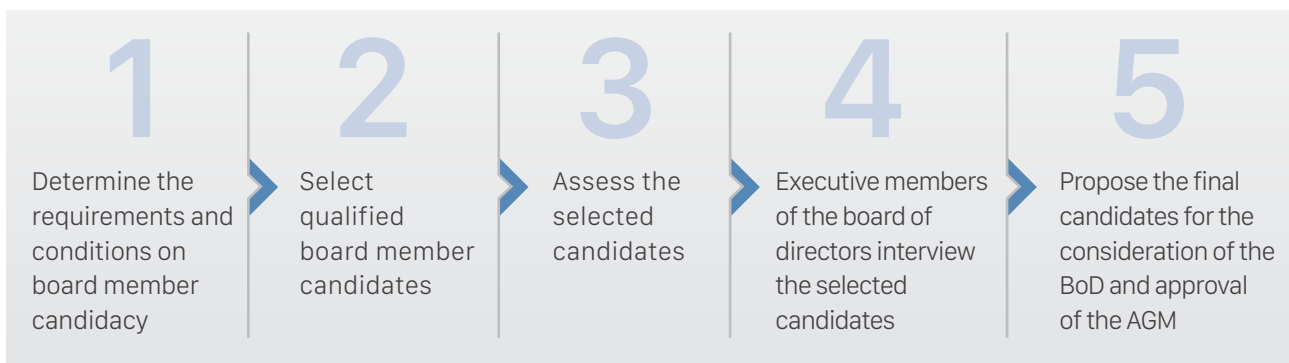
### BOARD OF DIRECTORS (continued)

When carrying out their functions and tasks, the BoD must strictly comply with the provisions of law, the Charter of the Company and resolutions of the Annual General Meeting of Shareholders. In the event where decisions made by BoD contravene the law or the Company’s Charter, thereby causing detriment to HSC, the members who voted in favour of these decisions are jointly and individually liable for any damages in accordance with relevant laws.

#### The board of director member nomination and candidacy processes

The board of director member nomination and candidacy processes are amongst the most important processes of the Company as standardized processes are crucial to the structure of board of director and quality and capability of members.

The board of director member nomination and candidacy processes are comprised of the following steps:



#### Information submission to the BoD

Information that the BoM presents in the BoD meetings or in the BoD’s materials must be accurate, adequate, and clear to provide the BoD a solid ground for making important decisions and approvals at BoD meetings.

In the situations that the BoD requires further information or clarification, the BoM must provide the required information one (01) day before BoD meetings.

Meeting request and agenda must be circulated 15 days in advance to all BoD members. Meeting materials must be available five (05) days before the meetings. In situations that meetings are held in the form of written ballot, proposals must be circulated to all BoD members seven (07) days before the dates the BoD members are requested to approve or disapprove the proposals.

#### Commitment of Board of Director

Members of the BoD commit to comply with applicable laws requiring that the board members are not also members of board of directors of other companies for more than five (05) years. This regulation is to ensure that BoD members could spend more time, efforts, and dedication to support HSC.

Agendas of meetings in upcoming year are finalized at the last meeting of each year. In addition to the scheduled BoD meetings, when necessary, chairman of the BoD can request ad-hoc face-to-face meetings or meetings held in the form of written ballot. All BoD members commit to consider the proposed matters thoroughly before making decision.

## Overall Assessment of the Operational Effectiveness of the Board of Directors

The BoD has made great efforts to improve corporate governance and align standards with current regulations and international best practices. Particularly:

- The Board of Directors maintains regular activities in accordance with the Company Charter, ensuring that regular meetings are held and that all Board members attended the meetings to meet legal requirements.
- Clearly defined the roles for independent and nonexecutive members have been made to maximize the interests of all shareholders and to assure fairness of minor shareholders.
- Supervision of the implementation of the BoD' decisions and resolutions that were made at the AGM.
- Direction and supervision of the implementation of various important projects at HSC, including projects related to risk management, internal audit, new product development, bonus share issuance from shareholder capital source, new share issuance to existing shareholders, and employee stock ownership plans (ESOP 2018).
- Supervision of Committee activities to ensure compliance with the operating principles and the Company Charter.
- The successful development of succession plan was an important achievement of the Company in 2019. Having a comprehensive succession plan helped HSC's key personnels prepare well to take higher positions and more responsibilities.

### Meetings of BoD in 2019

Board Members	Position	Date of Appointment	Number of Meetings	Number Meetings Attended	Attendance Ratio
Mr. Do Hung Viet	Chairman	21/04/2016	29	29	100%
Mr. Le Anh Minh	Vice Chairman	21/04/2016	29	29	100%
Mr. Lam Hoai Anh	Non-executive member	26/04/2018	29	27	93%
Mr. Pham Nghiem Xuan Bac	Non-executive member	21/04/2016	29	29	100%
Mr. Le Hoang Anh	Non-executive member	21/04/2016	29	29	100%
Mr. Le Thang Can	Non-executive member	21/04/2016	29	29	100%
Mr. Johan Nyvene	Executive member	21/04/2016	29	29	100%

01 The BoD member was not able to attend the meeting due to previously scheduled business trips.

In 2019, there were 29 BoD meetings, of which there 13 face-to-face meetings and three BoD meetings held in the form of written ballot.

In each regular quarterly meeting, the BoD reviewed and approved the Company's actual quarterly financial performance. The BoD also discussed prevailing market conditions and reviewed and revised (if necessary) the strategic plans for upcoming quarters. The board also approved other matters falling under its responsibility and authority to ensure that the Company's operations are well managed. At the first meeting of the year, the BoD

discussed macroeconomic conditions and the local and global stock market outlooks; thereby reviewing the feasibility of the Company's business plan and targets for the year and considering any necessary revision of the Company's long-term plan and vision. At the last meeting of a year, the BoD finalizes dates of meetings in the upcoming year to accommodate schedule of all BoD members.

All BoD members fulfilled their responsibilities in terms of BoD meeting participation. Furthermore, the BoD made important decisions, which were greatly beneficial to the performance of the Company during the year. A BoD resolution was only ratified when more than half of the members of the board voted for it.



## CORPORATE GOVERNANCE IN 2019 (continued)

### ACTIVITIES OF THE BOARD OF DIRECTORS IN 2019

The Roles of the Board	Activities of the Board of Directors in 2019
<b>FINANCE</b>	
<b>Financial Performance Supervision</b>	Reviewed and approved 2018 actual financial performance (Resolution 01/2019).
	Approved target performance in the first quarter of 2019 (Resolution 19/2019).
	Reviewed and approved actual financial performance in the first six months of 2019 (Resolution 19/2019).
	Reviewed and approved actual financial performance for the first nine months of 2019 (Resolution 24/2019).
<b>Share Issuance Plan</b>	Approved the record date of shareholder list for the purposes of issuing bonus shares and new shares to existing shareholders in accordance with the AGM resolution no. 02/2018-NQ-DHDCM issued on October 22, 2018 and the certificate of share issuance registration no. 08/GCN-UBCK issued on January 24, 2019 (Resolution 02/2019).
	Approved the tentative time to issue shares to employees under the employee stock ownership plan (ESOP 2018) in accordance with the AGM resolution 02/2018/NQ-DHDCD issued on October 22, 2018 and the certificate of share issuance registration no. 08/GCN-UBCK issued on January 24, 2019 (Resolution 02/2019).
<b>Share Issuance Plan</b>	Approved an extension of share distribution timeline in accordance with the certificate of share issuance registration no. 08/GCN-UBCK issued on January 24/2019 (NQ 02/2019).
	Approved an amendment of right transfer time and share purchase registration time of the share issuance to existing shareholders and an amendment of ESOP issuance time in accordance with the certificate of share issuance registration no. 08/GCN-UBCK issued on January 24, 2019 and decision no. 158/QD-UBCK issued on March 05, 2019 approving the extension of the certificate of share issuance registration for the Company (Resolution 03/2019).
	Approved a plan to settle the unsubscribed rights to purchase shares in accordance with the AGM resolution no. 02/2018/NQ-DHDCD issued on October 22, 2018 (resolution 14/2019).
<b>Covered Warrant Issuance</b>	Approved the issuances of MWG-HSC-MET01 and MBB-HSC-MET01 covered warrants (resolution 13/2019).
	Approved the issuance of MBB-HSC-MET01 covered warrant (resolution 18/2019).
	Approved the issuances of FPT-HSC-MET01, VNM-HSC-MET01, VRE-HSC-MET01, MBB-HSC-MET02, MWG HSC-MET02 covered warrants (resolution 21/2019).
	Approved the issuances of FPT-HSC-MET02, GMD-HSC-MET01, HPG-HSC-MET01, MBB-HSC-MET03, MWG-HSC-MET03, REE-HSC-MET01, TCB-HSC-MET01, VNM-HSC-MET02, VPB-HSC-MET01, VRE-HSC-MET02 covered warrants (resolution 21/2019).

The Roles of the Board	Activities of the Board of Directors in 2019
<b>Corporate Bond Issuance</b>	Approved the strategic plan to build corporate bond retailing and transacting platform (resolution 24/2019)
<b>Operational supervision</b>	Approved an amendment of the total of credit lines in 2018 (resolution 06/2019) Approved the sale of Vietfund Management's shares (resolution 22/2019). Approved the first advance of 2019 dividends (Resolution 24/2018).
<b>Bank Loan Monitoring</b>	Approved proposals to obtain bank credit, which were within the approved limit (Resolutions 02, 03, 04, 13, 16, 17, 20, 21, 22/ 2018).  Approved of the Company participating in exchange rate risk hedging through currency exchange agreements and interest rate derivatives with banks (resolution 26/ 2019).
<b>Auditor Relation</b>	Approved the selection of PricewaterhouseCoopers Vietnam as the statutory auditor for its 2019 financial statements (Resolution 12/2019).
<b>RISK MANAGEMENT</b>	
<b>Internal</b>	Approved "Labor Code" of the Company (resolution 20/2019)
<b>Human Resources</b>	Approved the dismissal of Mr. Arnold Villanueva Pangilinan, Risk Management Advisor on February 02, 2019 (Resolution 04/2019).  Approved the dismissal of Ms. Nguyen Anh Xuan Trang, Director to Risk Management, on March 12, 2019 (Resolution 04/2019).
<b>CORPORATE GOVERNANCE</b>	
<b>Bank Loan Monitoring</b>	Approved the time, venue, content and drafts of proposals for the 2019 Annual General Shareholders' Meeting (Resolution 01/2019).  Approved the change of Thai Van Lung branch's location (Resolution 09/2019).  Approved the closure of Nguyen Thi Minh Khai transaction office (Resolution 09/2019).  Approved the closure of Nguyen Van Troi transaction office (Resolution 23/2019).  Approved the relocation of Nguyen Van Troi transaction office from the floors 4&5 at 66A Tran Hung Dao, Hoan Kiem, Hanoi to floor 4, 66A Tran Hung Dao, Hoan Kiem, Hanoi (Resolution 23/2019).  Approved the relocation of Kim Lien transaction office from floors 18 and 21 at VCCI office building, 09 Dao Duy Anh, Phuong Mai, Dong Da to floor 8 at VCCI office building, 09 Dao Duy Anh, Phuong Mai, Dong Da (Resolution 23/2019)  Approved renovation of the Head Office at floors 5 and 6 at AB tower (Resolution 19/2019)

## CORPORATE GOVERNANCE IN 2019 (continued)

### REMUNERATION OF THE BOARD OF DIRECTORS, THE BOARD OF MANAGEMENT, AND THE SUPERVISORY BOARD

#### Remuneration of the Board of Directors and the Supervisory Board

The operating fund of HSC's BoD and BoS in 2019 amounted to 1.5% of after-tax profit, as approved at the 2018 AGM.

Based on the remuneration presented above and the prevailing number of members of the BoD and BoS at specific times, the payment of remuneration and operating expenses to the members of the BoD and BoS was as detailed below:

Item	VND
The opening balance of Operation fund of the BOD & Supervisory Board	901,542,042
Operation fund of the BoD & BoS in 2019 (accounting for 1.5% of profit after tax in 2018)	10,132,202,316
Operating expenses for the BoD & BoS	7,759,727,033
In which:	
1. Remuneration for BoD & BoS in 2019 (*)	3,626,666,667
2. Other operating expenses	4,133,060,366
Unused funds of the BOD & Supervisory Board	3,274,017,325

Note: (\*) BoD remuneration was VND2,680,000,000 VND and BoS remuneration was VND946,666,667 VND (including personal income tax).

#### Regulation on Bonuses for Members of BoD and BoS

Independent BoD members and non-executive BoD and BoS members do not receive any income or bonuses from the Company's bonus and welfare funds in addition to the remuneration for members of the BoD and BoS mentioned above.

#### Regulation Governing Benefits for Members of BoD and BoS

Currently, HSC's cost benefit regime (the Company's car use regime, telephones, social, medical and other insurance, 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 for other members of the BoD and BoS are charged to HSC (if costs are incurred).

#### Participation by Board of Director members in corporate governance programs

All members of the BoD and the BoS participated in a "Corporate Governance" training course, except for Mr. Pham Nghiem Xuan Bac who could not due to unforeseen circumstances. HSC will arrange time as is reasonable for him to join a similar training in the future.

## COMMITTEES UNDER THE BOARD OF DIRECTOR

There are three (03) committees reporting to the BoD. They are the Risk Management Committee, the Audit Committee, and the Remuneration Committee.

The three committees are tasked with advising and assisting the Board in maintaining and enhancing internal control operations. All three committees have non-executive and executive members. The members were selected based on expertise and experience as well as their contribution to the committees:

Name	Position	Risk Management Committee	Internal Audit Committee	Remuneration Committee
Mr. Do Hung Viet	Chairman Non-executive Board member	✓	Chairman ✓	✓
Mr. Le Anh Minh	Vice Chairman Non-executive Board member	Chairman ✓		Chairman ✓
Mr. Le Thang Can	Member Non-executive Board member		✓	
Mr. Le Hoang Anh	Member Non-executive Board member	✓		
Mr. Johan Nyvene	Member Executive Board member			✓
Mr. Vo Van Chau	Head of Supervisory Board			✓
Mr. Dang Nguyet	Member of Supervisory Board		✓	

### Activities of the Board Committees

#### The Risk Management Committee

The Risk Management Committee was established in 2013. The Risk Management Committee is responsible for advising the Board on the issuance of risk management strategies, processes, and policies. The Risk Management Committee is also responsible for analyzing and issuing warnings about the Company's safety against potential risks, as well as recommending preventative measures. Further, the Committee must analyze the Company's overall level of risk, measuring the risk tolerance

level of every business function, as well as HSC's overall operations, monitor the implementation of policies and examine the Company's capital, liquidity and capital mobilization. The Risk Management Committee is responsible for reviewing and changing the risk management structure of the Company to meet the risk management requirements of its regulatory authorities. In addition, the Risk Management Committee must evaluate the performance of the Risk Manager.

## CORPORATE GOVERNANCE IN 2019 (continued)

### COMMITTEES UNDER THE BOARD OF DIRECTOR (continued)

Activities of the Risk Management Committee in 2019:

- In 2019, the Risk Management Division continued to finetune its risk management model adopting COSO guidelines.
- On a monthly and quarterly basis, the Risk Management Department prepared and circulated a risk management report to the Risk Management Committee. The reports summarized the major risks identified in the reporting period and an action plans for the Risk Management Committee.
- The Risk Management Committee scheduled regular meetings to review and approve transactions under its responsibility and authority.

#### Internal Audit Committee

The Internal Audit Committee was founded in 2014. The Internal Audit Committee acts in accordance with principles set out in the Code of Conduct and the Charter, which have been approved by the BoD.



The Internal Audit Committee continue to cooperate on internal audit activities with KPMG Vietnam Limited in 2019.

Activities of the Internal Audit department and follow-up on Internal Audit Findings.

- In 2019, the Internal Audit department issued the following internal audit reports:
  - The anti-money laundering review report
  - IT and cyber security processes (the second audit)
  - Monitoring the progresses implementing changes in IT and cyber security processes as recommended by audit findings
- Currently the Internal Audit Department is conducting audits on the human resources management activities of the Private Client Division
- The Internal Audit Progress Report was reported at the periodic meeting of the Internal Audit Committee.

#### Remuneration Committee

The Board Remuneration Committee was officially established in 2016. The Remuneration Committee was established with the aim of advising and proposing compensation, remuneration and benefits for the members of BoD, BoS and BoM. The committee also reviews the annual budget for staff compensation and decides on issues related to the Employee Selection Program for selected employees.

In 2019, the Remuneration Committee approved the list of employees who were entitled to buy stocks under the 2018 ESOP as well as the number of shares that the employees were offered.



## ENGAGING SHAREHOLDERS, INVESTORS AND PARTNERS

### INVESTOR RELATIONS

In 2019, all shareholders are provided relevant information accurately, adequately and timely via communication channels. The information included quarterly financial statements, semi-annual financial statements, annual auditor report, annual report, as well as other information announced at the annual shareholder meeting.

#### Annual General Shareholder Meeting

Annual general meeting ("AGM") is an important corporate event in which the Company's representatives meet and interact with shareholders. At an AGM, the BoD presents financial performance of the previous year, business guidance for the upcoming year and other business matters that are deemed important and under the authorization of an AGM.

On April 25, 2019, HSC held its 2017 Annual General Meeting (2018 AGM) in Ho Chi Minh City. The AGM followed and complied with current statutory regulations, to ensure the protection of shareholder benefits and rights.

- All shareholders whose registrations were undertaken by March 9, 2019, at the latest as provided for by the Ho Chi Minh City Branch of the Vietnam Securities Depository, received full and clear information relating to the 2018 AGM as detailed in their notice of invitation. The notice of invitation clearly specified the time, venue, agenda and basic information about registration for the meeting. The full 2018 AGM documents were published on HSC's website, in both Vietnamese and English languages, eighteen (18)

days before the date of the 2018 AGM. In addition, the notice of invitation for the 2018 AGM was broadly published in the Dau Tu Chung Khoan newspaper No. 47 on April 19, 2019.

- In order to facilitate attendance by all shareholders and their authorized representatives, the 2018 AGM was held on a working day, with the registration and admission desk opened one hour prior to the meeting. HSC used barcodes to confirm shareholder identification and other supporting documents, as well as for calculating the voting and election ratios.
- The Chairman of the BoD, BoD members, Committee Chairs, and the BoM chaired the 2018 AGM. In addition, representatives of the independent audit firm were in attendance. Representatives of minority shareholders were entitled to nominate themselves in the Vote Tally Committee to count the votes.
- Those chairing the meeting were responsible and available to respond to any questions and encouraged shareholders or authorized representatives to comment in order to jointly build sustainable growth for HSC.
- Each of proposals by the BoD was presented separately to facilitate review and approval by shareholders at the AGM. The voting results for each proposal were announced immediately and recorded in the AGM minutes.
- The minutes of the meeting, a voting results report, and resolutions from the 2018 AGM were published on HSC website in both English and Vietnamese languages within 24 hours after the AGM.

## ENGAGING SHAREHOLDERS, INVESTORS AND PARTNERS (cont.)

### INVESTOR RELATIONS (continued)

#### Dividend Policy

HSC's shareholders are entitled to receive its profit in proportion to their holding. We believe that our attractive and transparent dividend policy is one of the main reasons behind investor decision to investing in HSC's stock.

HSC's dividend policy is reviewed by the Board of Directors on an annual basis. However, HSC's practice is to maintain a dividend payout ratio of at least 50%. Over the last few years, HSC has distributed annual dividends of 12% to 20% of par value depending on its financial performance in each year. It is worth noting that HSC's actual dividends are often higher than the dividends approved at its AGM. Dividend payment announcements are transparent and come with detailed information. Also, the Company always honors its dividend payment schedule, which is usually within 30 days from the date of BoD approval.

At the 2018 AGM, shareholders approved an ordinary share dividend payment rate of 15%. The execution plan for the 2018 dividend payment is summarized as follows:

- HSC announced and then paid the first 2019 cash dividend of 5% on January 10, 2020 following the

approval by the Board of Directors in Resolution No. 28/2011/NQ-HĐQT issued on November 11, 2019.

- At the upcoming 2019 AGM, the BoD plans to propose the second cash dividend payment which is aligned with 2019 financial performance and HSC dividend policy.

#### Investor relations

HSC is always proactive in engaging shareholders, investors, and its wider partnership community networks to provide timely, useful, complete, reliable and accurate information. The data and information are provided through a number of communication and media channels, such as, the website, the AGM, newsletters, videos and direct email blasts to the investment community at registered email addresses.

HSC encourages all shareholders, investors, and partners to discuss, share ideas, provide questions and engage in all possible forms of contributing information to HSC by emailing the Director of Communications.

## EQUAL TREATMENT OF SHAREHOLDERS AND PROTECTION OF SHAREHOLDER'S RIGHTS

### Appointing a proxy to the Annual General Meeting

HSC strongly encourages shareholder participation at the AGM should a shareholder be unable to attend the AGM, they may nominate an authorized representative, such as a BoD member or BoS member, to vote on their behalf and to decide on any resolutions and issues discussed at the AGM.

### Voting at the AGM and Absentee Voting by Shareholders

#### Voting at the AGM

Each shareholder or their authorized representative attending the AGM are given voting cards and voting forms printed by HSC. The cards and forms have barcodes so that the vote counting process can be more efficient and accurate. Shareholders shall use their voting cards to vote for resolutions raised at the AGM. Key information content for the AGM is sent to shareholders prior to the meeting. The shareholders must confirm

“ We consider technology a critical factor determining our competitive advantages and setting us apart from other securities companies in the market. ”

their vote by marking a cross in one of the three boxes provided. The contents of the three boxes are “approve”, “not approve” and “no comment”. Shareholders are required to sign the form to confirm and validate the vote.

**Absentee Voting**

The absentee ballots and other relevant documents will be sent to each of HSC’s shareholders by guaranteed mail and email (if applicable) to the addresses the shareholders have registered with the Vietnam Securities Depository Centre, Ho Chi Minh City branch. To facilitate shareholder review and voting, in 2019, HSC delivered the absentee voting materials to shareholders 30 days prior to the deadline by which shareholders had to send back their votes.

**Election of BoD Members**

The election, dismissal, removal, and additional election of members of the Board of Directors must be approved by the AGM. The selection of candidates and the election of new members to the BoD is carried out in accordance with the procedures stated in HSC’s Charter, governance regulations, and election regulations.

The election of new members of the Board of Directors is carried out using a secret ballot and adopting a cumulative voting method. Accordingly,

each shareholder or authorized proxy was given a total number of votes which was equal to the total number of shares they owned or represented multiplied by the number of candidates being elected. Shareholders or authorized proxies were entitled to cast all of their votes for one candidate or proportionally to a number of candidates. The list of candidates and candidate resumes were posted on the Company’s website no later than seven (07) working days prior to the 2017 AGM so that shareholders had enough time to consider and select qualified candidates.

**Conflict of Interest Management**

There is a need to prevent conflicts of interest in operations and decision making. Recognizing this need resulted in the development of internal policies, procedures, systems of control and monitoring at HSC. Systems and processes serve to prevent or mitigate “conflict of interest” situations. The risks that are to be prevented or mitigated include actions for personal gain but that cause loss to shareholders, investors, partners and/or HSC.

Right now, HSC is compliant with “conflict of interest avoidance” regulations under Vietnam law. The BoD has plans to raise HSC’s compliance to follow international benchmarks and best practices.

**Related Party Transactions**

Related party transactions, which are not conducted at arm’s length but for personal gain, have often led to the collapse of many large corporations and the erosion of shareholder value and investor confidence in the transparency and integrity of the capital markets. This issue has become one of the biggest challenges for the business community in Vietnam in recent years.

Aware of the risk associated with illegal related party transactions, HSC is introducing a related party-transaction policy, which is an integral part of HSC’s corporate governance framework. The policy will be designed and implemented to ensure that any potential conflicts of interest hidden in related party transactions are identified and monitored and closely controlled.

## ENGAGING SHAREHOLDERS, INVESTORS AND PARTNERS (cont.)

### EQUAL TREATMENT OF SHAREHOLDERS AND PROTECTION OF SHAREHOLDER'S RIGHTS (cont.)

#### Transactions by internal shareholders and their related parties

Members of the BoD, the BoM, and BoS, as well as related parties who want to execute transactions in HSC shares must report and disclose all required information at least three business days prior to the transaction date. They also have to report their trading results to the State Securities Commission of Vietnam and the Ho Chi Minh Stock Exchange ("HOSE") within three (03) business days after the registered trading period

Members of the BoD, the BoM, and BoS must report to the BoD any potential conflict of interest with HSC's interests from the benefits that they might receive from any transaction in HSC shares that are executed by themselves or by any related legal entity or individual. Members of the BoD, the

BoM, and BoS are not allowed to use any internal information regarding HSC's operations obtained by virtue of their position to serve their personal interests, or the interests other legal entities or individuals.

HSC does not provide loans or guarantees to any members of the BoD, the BoM, the BoS or related parties unless otherwise approved at the AGM.

HSC is not allowed to engage in any transaction that has a value equal to or greater than 35% of the total asset value of the Company as stated in its latest financial statements, with any member(s) of the BoD, the BoM, the BoS or related parties, or with shareholders, their proxies or related parties who collectively own more than 10% of HSC's total outstanding shares unless otherwise approved at the AGM.

## ROLE OF STAKEHOLDERS

### RELATED PARTY RELATIONS

#### Shareholders

HSC has always been willing to provide necessary information to our shareholders on transparent and adequate manners. Furthermore, in our principle of equality, there is no discrimination amongst major shareholders, strategic shareholders or minor shareholders.

All necessary information on HSC's operations and performance such as the quarterly, semiannual and annual performance results, as well as our business plans, are provided to all shareholders. Through these information disclosure sessions, HSC hopes to meet and interact directly with shareholders and investors in order to for them to understand more about our business operations, so that they can make appropriate investment decisions. This is also an opportunity for HSC to get the most meaningful feedbacks and contributions from shareholders and investors, which are then discussed in our internal meeting for further analysis and considerations.

#### Investors

HSC measures its success by the satisfaction of our clients. We are proud that our clients are highly satisfied with the security, advance and convenience of our services.

At HSC, we take into consideration client demand, our market position and our view on market trends to develop the-best-in-class products and services. By having a good understanding on sophisticated demands of investors, along with our strong team of highly experienced, dynamic, and enthusiastic professionals and our proven track records and credits, we have been able to provide our clients right services at the state-of-the-art quality and attractive investment opportunities.

In order to strengthen our reputation and enhance the trust from our clients, we have been endlessly investing, especially in technology, with an aim of offering our clients new services. We consider technology a critical factor determining our competitive advantages and setting us apart from other securities companies in the market.

## Employees

HSC acknowledges the critical role of "Human Capital" to its sustainable growth. But what are the factors that will help unlock the potential of this capital source. Is embedding the happiness of employees in the Company's business strategies a right approach? The more employees are happy and motivated, the more likely that they can develop breakthrough products and services that are aligned with or even ahead of industry or social trends. Also, as employees are satisfied, they will serve clients better. Accordingly, HSC believes employee happiness will facilitate development and execution of business leaders' strategies.

We believe that the collaboration and cohesiveness amongst all employees of HSC will help us create positive spillover effects not only at HSC but also to community.

## Community

The sense of shared community has been built and promoted throughout the Company's history since its early days. At the corporate level, HSC is committed to contribute to the development of Vietnam by creating jobs and paying taxes. At the same time, there have also been volunteer activities, sharing and helping the less privileged and disadvantaged groups of people. This has become a moral tradition at HSC. Above all, HSC is a cradle for spreading "community sharing" inspiration to all employees. The sense of sharing has continued to spread to their relatives and friends and has since been communicated throughout society.

HSC endeavors to implement initiatives that have long lasting impact on communities where HSC is located. HSC is dedicated to contributing to all aspects of community development. Community development is at the core of CSR where HSC believes will be an essential component for long term success.

## Environment

Contributing to the development of the capital markets in Vietnam has been one of the most important targets in the development of HSC.

HSC has always been a pioneer and a bridge between the leading companies in Vietnam and the global investment community through the hosting of forums and conferences dedicated to the Vietnamese markets in general and the stock market in particular (Vietnam Investment Professionals Forum 2018, Emerging Vietnam 2018) or through organizing conferences discussing new products (the Global Futures Symposium).

With a spirit of enthusiasm and a willingness to impart experience and try to learn advanced knowledge, HSC has not only contributed to the market shaping and developing process and the nurturing the international investors' trust but also created its own opportunities to seek and approach potential investors.

Moreover, HSC is also an active member of associations and organizations in the stock market in particular and in the financial sector in general. The participation in the Vietnam Securities Trading Association (VASB), Vietnam Bond Market Association (VBMA) and Vietnam CEO Club, also helps us understand more about the markets and allows us to contribute to develop the markets.



## EQUAL TREATMENT OF SHAREHOLDERS AND PROTECTION OF SHAREHOLDER'S RIGHTS (continued)

### Auditors

HSC is committed to select one of the Big 4 Audit Firms in Vietnam for the interim and annual statutory audit of its financial statements. The selected auditor must be approved by the State Securities Commission of Vietnam to provide the statutory auditing services to listed companies and securities companies in Vietnam.

#### PricewaterhouseCoopers (PwC) VietNam Limited

PricewaterhouseCoopers (PwC) VietNam Limited is the external auditor of HSC in three years consecutively.

- The review of the interim financial statements
- The review of the interim Liquidity Ratio Report
- The audit the year end financial statements
- The audit of the year end Liquidity Ratio Report
- The special audit of HSC's year end financial information, which were prepared in accordance with the International Financial Reporting Standards (IFRS).

The 2019 audit fee amounted to VND957,000,000 (Nine hundred and fifty-seven million Vietnamese Dong)

#### KPMG Vietnam Limited

KPMG Vietnam Ltd provided internal audit services to HSC in 2019.

The audit service fee was **VND1,089,000,000** (One billion eighty-nine million Vietnamese Dong)

### Contact for media inquiries

Currently, the only point of contact for media inquiries to HSC is the Communications Department. Any questions from stakeholders will be forwarded to the relevant department head. Their responses will be sent to the Communications Department which shall represent HSC in responding by phone or email.

### INFORMATION DISCLOSURE

#### Policy and the implementation of information disclosure

The information disclosure framework at HSC has been developed and implemented in compliance with statutory regulations, internal policies and corporate governance policies. Information disclosure must be in accordance with the following fundamental principles:

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



## TRANSACTIONS, REMUNERATION AND BENEFITS OF MEMBERS OF THE BOD, BOM, AND BOS

### Share trading transactions of internal shareholders and related parties

In the year 2019, HSC announced HCM share transactions undertaken by members of the BoD and related organizations on the HCM City Stock Exchange to the authorities within three working days. Under current regulations, they were reported as follows:

Name	Relationship with internal shareholders	Number of shares owned initially		Number of shares owned at the end period		Reasons for increase, decrease
		Number of shares	Percentage	Number of shares	Percentage	
Hochiminh City Finance and Investment state - owned Company (HFIC)	Company related to Lam Hoai Anh and Le Thang Can - Members of the Board of Directors	87.500.000	28,61%	87.500.000	28,61%	HFIC registered to sell 5,000,000 shares during December 12, 2019 to December 18, 2019 and during December 24, 2019 to December 31, 2019. The transactions were not executed as market prices were not aligned with expectations.

### Transactions between the Company and major shareholders

HSC sold its holding of 2,180,364 shares or 10.15% equity interest of Vietfund Management (VFM) to Dragon Capital Management (Hong Kong) Limited.

Related parties	Relationship with HSC	Address	Transaction time	BoD Resolution No.	Ownership in VFM post transaction	
					Share	%
VietFund Management (VFM)	Organization related to Mr. Le Hoang Anh - BoD member	Room.1701-04, 17th floor, Me Linh Point, No. 02 Ngo Duc Ke Street, District 1, HCMC	31/12/2019	22/2019/NQ-HĐQT issued on September 19, 2019.	0	0%

## REPORT OF THE SUPERVISORY BOARD

In 2019, the Supervisory Board ("BoS") fulfilled the duties as stated in HSC's Charter and Governance Regulation on the organization and operation of the BoS, assisting the Board of Management ("BoM") in executing the business plan and other matters that were approved by annual general meeting of shareholders ("AGM"). The BoS is comprised of three members, two of which are independent, representing shareholders to carry out regular assurance and supervision, make recommendations on risk management and enhance corporate governance at HSC. In 2019, the BoS carried out the following activities:

- Supervised activities of the Board of Directors ("BoD") and the implementation of resolutions passed at the FY2018 Annual General Meeting.
- Supervised HSC's business activities and financial performances in 2019
- Supervised the activities of the internal audit department in 2019

### 1. Supervision of the BoD's activities and the implementation of resolutions passed at the FY2018 AGM

In 2019, the BoD held twenty-nine (29) meetings, of which thirteen (13) meetings were face-to-face meetings, with three meetings in the forms of written opinions. Participating in these meetings, the BoS reviewed the Company's performance and, along with the BoD and BoM, contributed strategically to the pursuit of business plan as approved by the 2018 AGM.

Key issues discussed in the BoD's meetings included the followings:

- 2018 full-year business performance and 2019 quarterly business performances
- Use-of-capital plans and estimates of capital needs in next years of each business segment, and bank loan proposals
- Approvals of the renovation of 5th and 6th floors at the headquarter at AB Tower, the relocation and change in name of Thai Van Lung branch, and the closure and relocation of transaction offices
- Resolution on unsubscribed rights issue
- Approval of corporate bond retail transaction platform development
- Approval of investment in new stock trading platform

- Approval of 2019 cash dividend advancement – first tranche

All contributions and recommendations of the BoS members, in their roles as supervisors and representatives of shareholders, were respected and taken into consideration by the BoD.

### 2. Supervision of 2019 business activities and financial performances

In 2019, together with other members of Board Audit Committee, the BoS participated in the interim and year-end meetings with HSC's external auditor, PricewaterhouseCoopers Vietnam Limited, to discuss audit scope, audit findings, and other relevant matters detailed in the Management Letter. According to the auditor's opinion, HSC's business operations were conducted in a transparent manner and had no violations in relation to the Company's accounting, finance and operational processes. In 2019, PricewaterhouseCoopers Vietnam Limited only provided statutory audit service to HSC, and did not provide any other advisory services for a total fee of VND 957,000,000 (nine hundred and fifty seven million dong) (VAT included).

In addition, the BoS carefully reviewed and analyzed HSC's quarterly financial statements and capital adequacy ratio review reports. Regarding capital adequacy and financial safety, HSC maintained high liquidity and capital-related ratios. HSC's capital adequacy ratio, which was reported following the Ministry of Finance's guidances, as of the end of 2019 was 556% (2018: 502%), 3.1 times higher than the 180% requirement of the State Securities Commission of Vietnam.

In term of financial performance targets, per the BoS's evaluation, the number of big initial public offerings in 2019 was fewer than in 2018, at the same time, the average trading turnover of the stock market averaged VND4,650 billion per day, sharply declining 28% y-o-y and was only 72% of HSC's expectation for its 2019 business plan. As the result, HSC's revenue and net profit in 2019 were VND1,262 billion and VND432 billion, reduced by 26% and 36% y-o-y respectively, and fulfilled 76% and 64% respectively of the Company's target.

- Revenue from securities brokerage fees was VND478 billion, a VND280 billion or 37% decrease y-o-y. The decrease of revenue was mainly attributed to the 28% y-o-y reduction in average daily trading value of the Vietnam stock market in 2019.

- In which, revenue from brokerage fees on stock market was VND452 billion, 40% y-o-y reduction and from the derivatives market was VND26 billion, a fall of 66% y-o-y.
- The performance was encouraging amid the above-mentioned market conditions and the unsustainable fee competition initiated by many other securities companies from February 2019 after the Ministry of Finance lifted the floor brokerage fee (0.15%).
- Revenue from margin lending and interest income was VND495 billion, a VND28 billion or 5% y-o-y decrease due to 2 following factors:
  - The average margin lending rate was lowered to 11.6% from 13.3% in 2018, or a 12.8% y-o-y decrease, amid the competitive market condition;
  - The average margin lending balance was VND4,227 billion, a 294 billion or 7% y-o-y growth in comparison with VND3,933 billion in 2018.
- Revenue of the proprietary trading business was VND233 billion. The business generated a profit margin of 12%, outperforming the 7.6% growth of the VNIndex in 2019.
- Revenue of the corporate finance business was VND53 billion, a VND66 billion or 55% y-o-y decrease as in 2019 fewer transactions were successfully closed.
  - In 2019, the segment's revenue was mainly contributed from advisory services of the successful deals in the consumer goods, aviation, banking, and real estate industries;
  - There was no brokerage income associated with successful transactions in 2019 as in 2018.
- Recognizing that the 2019 performance did not meet the business plan approved by AGM, in which the main assumption was average market turnover of VND6,500 billion, the Board of Management pursued several cost initiatives to optimize operating expenses. Accordingly, the total operating expenses in 2019 was only 90% of the approved budget.
  - HSC re-arranged office spaces at several transaction offices, closed Thai Van Lung and Nguyen Van Troi transaction offices in Ho Chi Minh City, scaled down office spaces at Hoan Kiem and Kim Lien transaction offices in Hanoi in the fourth quarter of 2019 to maximise

“In 2019, HSC focused on developing trading platform of corporate bond for retail, developing new securities trading platform.”

the spaces of existing transaction offices, resulting in a saving of rental expenses in the following years.

- In 2019, HSC focused on developing trading platform of corporate bond for retail, developing new securities trading platform, and renovating 5th and 6th floors of the headquarter. These expenditures were necessary and highly important to the sustainable development plan of HSC in the long run.

The BoS acknowledges the strong commitment and great efforts of the BoM in delivering the encouraging business performance, despite the steep competition amongst securities companies, the drop in trading value, and the volatility of the stock market in 2019. In such a challenging market condition, the performance was not easy to accomplish. Notably was the outstanding performance of the margin lending business, at the time when the liquidity in the stock market decreased sharply, HSC's margin lending balance decreased by a smaller magnitude compared to that in 2018. The BoS also acknowledges the appropriate strategy of the BoM in maintaining HSC's prudent and rigorous risk management approach to margin lending: by not opening broadly the position of margin lending but focusing on a basket of securities with robust financial capability, large market capitalization, and high trading liquidity. With this strategy, HSC would be able to prevent the risk of unrecovered margin lending when the stock market experienced high volatility. Also, in the securities brokerage business, HSC's total brokerage market share was 10.8%, maintaining its second largest position in the Ho Chi Minh City Stock Exchange (HSX) for many years (2014-2019) in a row despite increased competition.

## REPORT OF THE SUPERVISORY BOARD (continued)

### KEY FINANCIAL INDICATORS

No.	Indicators	2019	2018
1	<b>Capital safety ratio</b>	556%	502%
2	<b>Liquidity ratios</b>		
a	Current ratio (times)	2.3	2.3
b	Total debt to Total assets ratio (times)	0.4	0.4
3	<b>Capital structure ratios</b>		
a	Shareholders' capital to Total resources (times)	0.6	0.6
4	<b>Profitability ratios</b>		
a	ROAE (Net profit after tax/ Owners' equity)	11.7%	23.1%
b	ROAA (Net profit after tax / Total assets)	6.8%	11.3%

### Supervision of internal audit activities in 2019

In 2019, HSC's Internal Audit Department completed and issued the following audit reports:

No.	Internal Audit Review
1	Anti-Money Laundering Activities (annual audit)
2	IT and Cybersecurity (2nd review)
3	IT and Cybersecurity audit follow-up result

The Internal Audit department carried out the Security Review (Security assessment and Penetration testing) against 10 Internet-facing applications and their related infrastructure to identify security weaknesses and come up with the remediation actions. The final internal audit reports were issued to the BoM and Head of IT department, and reported to the BoS and Board Audit Committee in regular meetings.

The BoS identified no significant findings from the audit of HSC's IT and Cybersecurity processes. The findings and technical vulnerabilities identified in this review do not cause operational disruptions and were immediately fixed as recommended by the Internal Audit.

The BoS recommended that HSC should continue assessing all critical IT components (systems, applications, and servers) completely and comprehensively to prevent potential IT disruption risks that might lead to financial and reputational damages to HSC. The BoS highly appreciated HSC's efforts in setting up the Information Security Team since February 2019 who will be responsible for information security governance, information security architecture and information security operation.

The BoS expects the BoM should continue develop and strengthen the risk monitoring and mitigating system for the IT and Cybersecurity. The BoS recommended that the security assessment should be performed sufficiently and comprehensively. Accordingly, HSC will be able to prevent business risks associated with IT and Cybersecurity.



### BoS Remuneration in 2019

Total remuneration for the BoS in 2019 was VND 946,666,667 (inclusive of personal income tax). Specific remuneration to each member is as follows.

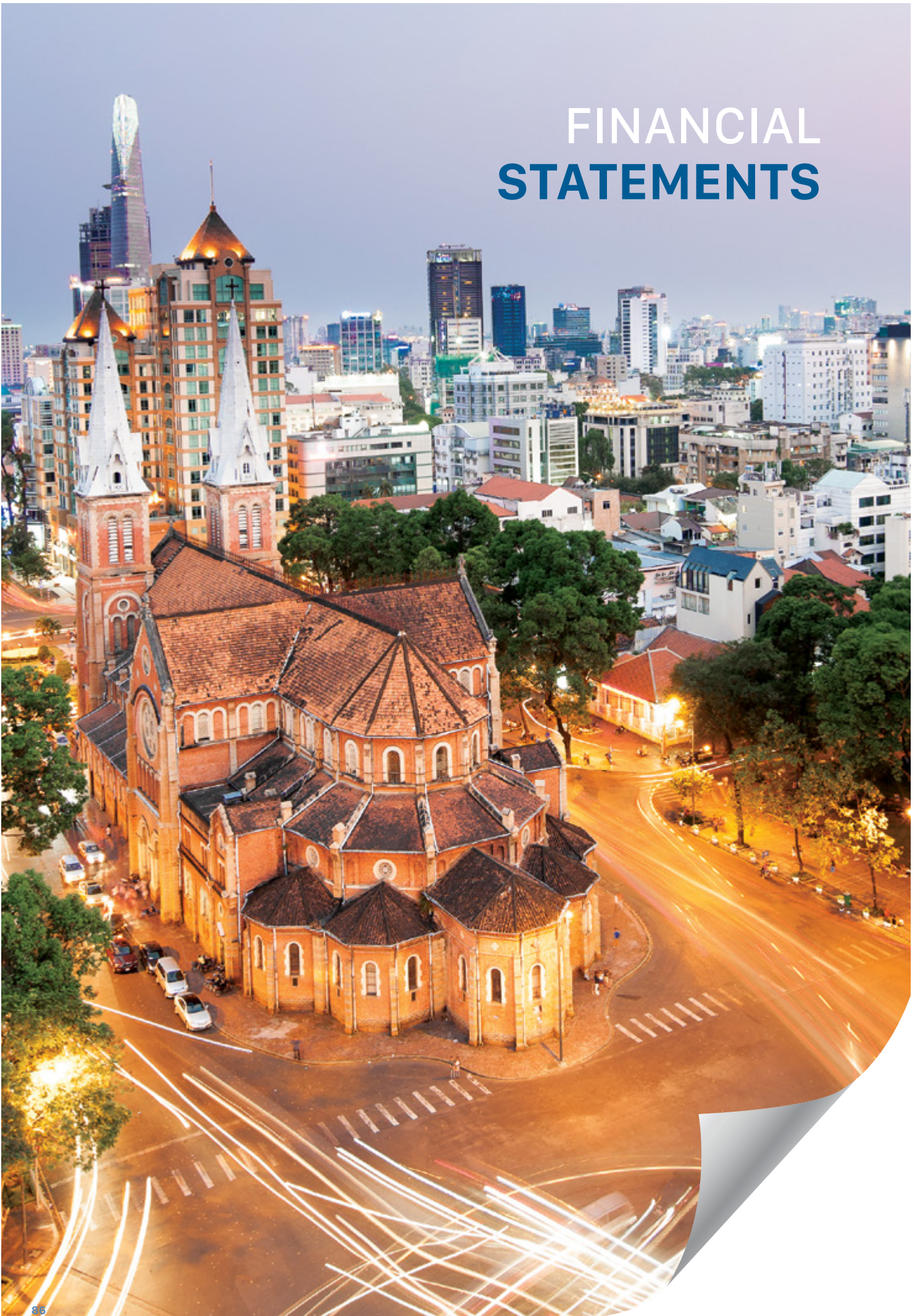
No.	Member	Position	Remuneration per month (after tax) (VND)
1	Mr. Vo Van Chau	Chairman	10,000,000
2	Mr. Doan Van Hinh	Member	6,000,000
3	Mrs. Dang Nguyet Minh	Member	6,000,000

### Plan of the BoS for 2020

In 2020, the BoS will continue to accompany and supervise the Internal Audit department in completing the audit project that has been started in 2019 and carrying out the new audit projects as 2020 approved audit plan:

No	Internal Audit Review
<b>2019</b>	
1	Human Resource Management Process for Private Client Department (2nd review)
<b>2020</b>	
2	Anti-Money Laundering Activities (annual audit)
3	Procurement to Pay (1st review)
4	Company's Cash Receipt and Payment Management (1st review)

# FINANCIAL STATEMENTS





## CORPORATE INFORMATION

### Establishment and operation licence

No. 11/UBCK-GPHĐKD dated 29 April 2003 issued by the State Securities Commission. The Establishment and operation licence was amended several times and the latest amendment No. 13/GPĐC-UBCK was issued on 16 March 2020.

### Board of Directors

Mr. Do Hung Viet	Chairperson
Mr. Le Anh Minh	Vice Chairperson
Mr. Pham Nghiem Xuan Bac	Member
Mr. Le Thang Can	Member
Mr. Johan Nyvene	Member
Mr. Le Hoang Anh	Member
Mr. Lam Hoai Anh	Member

### Board of Supervision

Mr. Vo Van Chau	Chair Supervisor
Mr. Doan Van Hinh	Member
Ms. Dang Nguyet Minh	Member

### Board of Management

Mr. Trinh Hoai Giang	Chief Executive Officer (from 16 March 2020) Deputy Chief Executive Officer (until 15 March 2020)
Mr. Johan Nyvene	Chief Executive Officer (until 15 March 2020)
Mr. Le Anh Quan	Managing Director
Mr. Bach Quoc Vinh	Managing Director
Mr. Pham Ngoc Bich	Managing Director
Mr. Christopher Lawrence Hunt	Managing Director (from 1 August 2019)
Mr. Stephen James McKeever	Managing Director
Mr. Tran Tan Dat	Managing Director
Mr. Nguyen Canh Thinh	Managing Director
Ms. Nguyen Linh Lan	Managing Director (from 2 December 2019)
Mr. Le Cong Thien	Deputy Chief Executive Officer (until 26 February 2020)
Mr. Nguyen Quoc Nam	Managing Director (until 27 September 2019)

### Legal Representative

Mr. Trinh Hoai Giang	Chief Executive Officer (from 16 March 2020)
Mr. Johan Nyvene	Chief Executive Officer (until 15 March 2020)

### Registered office

5-6th Floor, AB Tower  
76 Le Lai Street, Ben Thanh Ward, District 1  
Ho Chi Minh City, Vietnam

### Auditor

PwC (Vietnam) Limited

## STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF MANAGEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Management of Ho Chi Minh City Securities Corporation ("the Company") is responsible for preparing the financial statements which give a true and fair view of the financial position of the Company as at 31 December 2019 and of the result of its operations, cash flows and changes in equity for the year then ended. In preparing these financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of 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 which enable the financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the financial statements. The Board of Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud or errors.

### APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements as set out on pages 68 to 167 which give a true and fair view of the financial position of the Company as at 31 December 2019 and of the results of its operations, cash flows and changes in equity for the year then ended, in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and prevailing regulations on preparation and presentation of financial statements applicable to securities companies operating in Vietnam.

On behalf of the Board of Management



**Trinh Hoai Giang**  
Chief Executive Officer

Ho Chi Minh City, Vietnam  
26 March 2020

Chúng tôi đã kiểm toán báo cáo tài chính kèm theo của Công ty Cổ phần Chứng khoán Thành phố Hồ Chí Minh

## INDEPENDENT AUDITOR'S REPORT 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") which were prepared on 31 December 2019 and approved by the Board of Management on 26 March 2020. The financial statements comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and explanatory notes to the financial statements including significant accounting policies, as set out on pages 68 to 167.

### The Board of Management's Responsibility

The Board of Management of the Company is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and prevailing regulations on preparation and presentation of financial statements applicable to securities companies operating in Vietnam and for such internal control which the Board of Management determines as necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the 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 standards and requirements, plan and perform the audit in order to obtain reasonable assurance as to 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 an 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 controls relevant to the Company's preparation and true 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the financial statements.

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



# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HO CHI MINH CITY SECURITIES CORPORATION

(continued)

## Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and prevailing regulations on preparation and presentation of financial statements applicable to securities companies operating in Vietnam.

## Other Matter

The independent's auditor report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English versions, the Vietnamese version shall take precedence.

For and on behalf of PwC (Vietnam) Limited



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Nguyen Hoang Nam  
Audit Practising Licence No.  
0849-2018-006-1

A blue ink signature of Tran Thi Cam Tu, written over a horizontal line.

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Tran Thi Cam Tu  
Audit Practising Licence No.  
2713-2018-006-1

Report reference number: HCM9206  
Ho Chi Minh City, 26 March 2020

# STATEMENT OF FINANCIAL POSITION

Form B 01 – CTCK

		As at		
Code	ITEM	Note	31.12.2019 VND	31.12.2018 VND
<b>ASSETS</b>				
<b>100</b>	<b>CURRENT ASSETS</b>		<b>7,295,764,151,145</b>	<b>5,065,174,554,410</b>
<b>110</b>	<b>Financial assets</b>		<b>7,275,687,206,277</b>	<b>4,949,941,619,088</b>
111	Cash and cash equivalents	3.1	906,543,226,372	117,332,185,998
111.1	Cash		906,543,226,372	117,332,185,998
112	Financial assets at fair value through profit or loss ("FVTPL")	3.2	1,286,632,864,648	834,839,940,206
114	Loans	3.2	4,696,713,331,994	3,262,014,843,244
116	Provisions for impairment loss of financial assets and mortgages	3.3	-	(23,573,148,070)
118	Prepayment to suppliers		6,445,066,994	2,081,707,500
119	Service-related receivables	3.4	318,126,523,551	742,571,555,348
122	Other receivables	3.4	100,809,984,866	54,258,327,010
129	Provisions for doubtful debts	3.5	(39,583,792,148)	(39,583,792,148)
<b>130</b>	<b>Other current assets</b>		<b>20,076,944,868</b>	<b>115,232,935,322</b>
131	Advances to employees		251,315,707	594,697,297
133	Short-term prepaid expenses		8,464,775,711	8,976,240,525
134	Short-term security deposits		3,797,282,500	3,405,632,500
137	Other current assets		7,563,570,950	102,256,365,000
137.1	Deposits for derivatives trading activities	3.6	7,563,570,950	102,256,365,000
<b>200</b>	<b>NON-CURRENT ASSETS</b>		<b>192,914,478,203</b>	<b>191,130,772,771</b>
<b>220</b>	<b>Fixed assets</b>		<b>41,889,429,828</b>	<b>47,422,412,537</b>
221	Tangible fixed assets	3.7(a)	24,220,165,536	24,065,517,122
222	Historical cost		86,288,797,369	73,789,663,436
223a	Accumulated depreciation		(62,068,631,833)	(49,724,146,314)
227	Intangible fixed assets	3.7(b)	17,669,264,292	23,356,895,415
228	Historical cost		69,590,128,018	64,392,294,363
229a	Accumulated amortisation		(51,920,863,726)	(41,035,398,948)
<b>240</b>	<b>Construction in progress</b>	3.7(c)	<b>13,597,128,282</b>	<b>4,447,220,550</b>
<b>250</b>	<b>Other non-current assets</b>		<b>137,427,920,093</b>	<b>139,261,139,684</b>
251	Long-term security deposits		6,192,051,327	7,528,788,877
252	Long-term prepaid expenses	3.8	100,955,484,782	100,173,558,928
253	Deferred income tax assets	3.16	280,383,984	1,558,791,879
254	Deposits in the Settlement Supporting Fund	3.9	20,000,000,000	20,000,000,000
255	Other non-current assets		10,000,000,000	10,000,000,000
255.1	Deposits in the Derivatives trading clearing fund	3.10	10,000,000,000	10,000,000,000
<b>270</b>	<b>TOTAL ASSETS</b>		<b>7,488,678,629,348</b>	<b>5,256,305,327,181</b>

## STATEMENT OF FINANCIAL POSITION (continued)

Form B 01 – CTCK

		As at	
Code	ITEM	Note	
			31.12.2019 VND
			31.12.2018 VND
<b>300</b>	<b>LIABILITIES</b>		<b>3,184,535,590,209</b>
<b>310</b>	<b>Current liabilities</b>		<b>3,184,535,590,209</b>
311	Short-term borrowings and finance lease liabilities		2,393,727,235,255
312	Short-term borrowings	3.11	2,393,727,235,255
316	Short-term issued bonds	3.11	-
318	Trading obligations	3.12	487,804,747,433
320	Short-term trade payables		1,046,316,763
322	Taxes and other payables to the State	3.13	37,937,342,045
324	Accrued employees' welfares		3,851,740,871
325	Short-term accrued expenses	3.14	56,698,330,262
329	Other short-term payables	3.15	184,843,206,969
331	Bonus and welfare funds		18,626,670,611
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>4,304,143,039,139</b>
<b>410</b>	<b>Owners' equity</b>		<b>4,304,143,039,139</b>
411	Owners' capital		3,411,931,836,992
411.1	Share capital	3.17	3,058,822,630,000
411.1a	Ordinary shares with voting rights		3,058,822,630,000
411.2	Share premium		358,946,064,000
411.5	Treasury shares		(5,836,857,008)
414	Supplementary capital reserve		151,385,003,919
415	Financial risk and operational reserve		151,385,003,919
416	Other equity reserves		3,961,374,994
417	Undistributed earnings	3.18	585,479,819,315
417.1	Realised profits after tax		633,772,960,412
417.2	Unrealised losses		(48,293,141,097)
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>7,488,678,629,348</b>
			<b>5,256,305,327,181</b>

## OFF STATEMENT OF FINANCIAL POSITION ITEMS

As at

Code	ITEM	Note	31.12.2019	31.12.2018
<b>A ASSETS OF THE COMPANY AND ASSETS UNDER ENTRUSTMENT</b>				
<b>Amount (VND)</b>				
004	Bad debts written off	4.1	345,059,000	345,059,000
<b>Original currency</b>				
005	Foreign currencies	4.2		
	United States Dollar		1,899,62	5,176,74
	Japanese Yen		241,915	241,915
	Singapore Dollar		844	590
	British Pound		1,594,70	100,00
	New Taiwan Dollar		3,200	3,200
	Canadian Dollar		100	100
	Malaysian Ringgit		750	750
<b>Quantity</b>				
006	Number of shares in issue (shares)	4.3	305,516,173	129,554,168
007	Number of treasury shares (shares)	3.17	366,090	202,590
<b>Par value (VND)</b>				
008	Securities listed/registered at Vietnam Securities Depository ("VSD")		146,128,706,000	243,492,050,000
	<i>Freely traded securities</i>		146,128,706,000	243,492,050,000
009	Securities in custody of VSD and not yet traded		506,139,500,000	3,150,000,000
	<i>Freely traded securities</i>		506,139,500,000	3,150,000,000
010	Securities purchased and awaiting settlement		4,570,802,000	18,501,900,000
	<i>Securities awaiting settlement</i>		4,570,802,000	18,501,900,000
012	Securities not in custody of VSD		391,374,560,000	26,401,400,000
	<i>Freely traded securities</i>		391,374,560,000	26,401,400,000
<b>Quantity</b>				
014	Covered warrants authorised but not yet issued	4.4	60,105,000	-

## STATEMENT OF FINANCIAL POSITION (continued)

Mẫu số B01 – CTCK

## OFF STATEMENT OF FINANCIAL POSITION ITEMS (continued)

		As at	
Code	ITEM	31.12.2019	31.12.2018
<b>B</b>	<b>ASSETS OF AND LIABILITIES TO CUSTOMERS (continued)</b>		
		Par value (VND)	
021	Securities listed/registered at VSD	21,705,821,330,200	20,208,119,040,000
021.1	Freely traded securities	18,732,929,161,200	16,144,256,020,000
021.2	Restricted securities	129,406,140,000	269,550,390,000
021.3	Pledged securities	2,371,412,250,000	3,391,438,550,000
021.4	Suspended securities	268,676,880,000	132,776,880,000
021.5	Securities awaiting settlement	203,396,899,000	270,097,200,000
021.7	Customers' deposits for derivatives trading	124,320,416,100	263,028,634,043
022	Securities in custody of VSD and not yet traded	18,424,050,000	7,536,110,000
022.1	Securities in custody of VSD and not yet traded – freely traded securities	11,232,460,000	5,612,110,000
022.2	Securities in custody of VSD and not yet traded – suspended securities	7,191,590,000	1,924,000,000
023	Securities purchased and awaiting settlement	212,253,750,000	352,223,480,000
024b	Securities not in custody of VSD of investors	5,500,000,000	13,922,660,000
026	Customers' deposits	865,759,134,335	1,285,995,489,258
027	Customers' deposits for securities trading	741,438,718,235	1,022,966,855,215
027.1	Customers' deposits at VSD	124,320,416,100	263,028,634,043
031	Payables to customers relating to their deposits at the Company for securities trading	741,438,718,235	1,022,966,855,215
031.1	Payables to domestic customers relating to their deposits at the Company for securities trading	733,323,220,892	1,016,049,164,264
031.2	Payables to foreign customers relating to their deposits at the Company for securities trading	8,115,497,343	6,917,690,951



Le Thi Thuy Duong  
Preparer



Lam Huu Ho  
Chief Financial Officer



Trinh Hoai Giang  
Chief Executive Officer  
26 March 2020



# STATEMENT OF COMPREHENSIVE INCOME

Form B 02 – CTCK

For the year ended

Code	ITEM	Note	31.12.2019 VND	31.12.2018 VND
<b>OPERATING INCOME</b>				
01	Income from FVTPL financial assets		522,443,256,133	928,460,243,499
01.1	<i>Realised gains on disposal of FVTPL financial assets</i>	5.1	390,930,734,954	858,463,794,818
01.2	<i>Decrease in revaluation gains of FVTPL financial assets</i>	5.2	(3,308,332,184)	(35,012,239,201)
01.3	<i>Dividends and interest income from FVTPL financial assets</i>	5.3	128,409,865,776	105,008,687,882
01.4	<i>Decrease in revalued amount of covered warrants liabilities</i>	5.2	6,410,987,587	-
03	Interest income from loans and receivables		495,988,943,636	523,064,352,711
06	Brokerage fee income		478,282,787,116	758,849,301,292
09	Custody service income		7,616,808,263	8,554,349,465
10	Financial consultancy service income		53,627,870,462	119,216,643,588
11	Other operating income		2,171,378,005	11,671,488,830
<b>20</b>	<b>TOTAL OPERATING INCOME</b>		<b>1,560,131,043,615</b>	<b>2,349,816,379,385</b>
<b>OPERATING EXPENSES</b>				
21	Losses from FVTPL financial assets		(299,990,119,345)	(650,116,339,657)
21.1	<i>Realised losses on disposal of FVTPL financial assets</i>	5.1	(300,506,423,395)	(662,889,080,398)
21.2	<i>Decrease in revaluation losses of FVTPL financial assets</i>	5.2	516,964,050	12,772,740,741
21.4	<i>Increase in revalued amount of covered warrants liabilities</i>	5.2	(660,000)	-
24	Provisions for financial assets, losses on bad debts, impairment losses of financial assets and interest expenses associated with loans	5.4	(113,682,911,467)	(155,881,063,174)
26	Proprietary trading activities	5.5	(78,706,309,030)	(87,578,216,751)
27	Brokerage fee expenses	5.5	(326,959,927,736)	(431,738,308,494)
30	Custody service expenses	5.5	(8,102,665,080)	(10,276,510,005)
31	Financial consultancy service expenses	5.5	(16,242,652,044)	(21,555,635,774)
32	Other operating expenses	5.5	(455,955,784)	(1,395,644,586)
<b>40</b>	<b>TOTAL OPERATING EXPENSES</b>		<b>(844,140,540,486)</b>	<b>(1,358,541,718,441)</b>

## STATEMENT OF COMPREHENSIVE INCOME (continued)

Form B 02 – CTCK

Code	ITEM	Note	For the year ended	
			31.12.2019 VND	31.12.2018 VND
<b>FINANCIAL INCOME</b>				
42	Dividend income and interest income from demand deposits		2,119,729,545	2,310,619,199
<b>50</b>	<b>TOTAL FINANCIAL INCOME</b>		<b>2,119,729,545</b>	<b>2,310,619,199</b>
<b>62</b>	<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>5.6</b>	<b>(186,799,467,128)</b>	<b>(151,501,925,159)</b>
<b>70</b>	<b>OPERATING RESULT</b>		<b>531,310,765,546</b>	<b>842,083,354,984</b>
<b>OTHER INCOME AND EXPENSES</b>				
71	Other income		95,013,636	102,300,000
<b>80</b>	<b>NET OTHER INCOME</b>		<b>95,013,636</b>	<b>102,300,000</b>
<b>90</b>	<b>NET ACCOUNTING PROFIT BEFORE TAX</b>		<b>531,405,779,182</b>	<b>842,185,654,984</b>
91	Realised profit		527,786,819,729	864,425,153,444
92	Unrealised profit/(loss)		3,618,959,453	(22,239,498,460)
<b>100</b>	<b>BUSINESS INCOME TAX ("BIT")</b>	<b>5.7</b>	<b>(98,840,860,805)</b>	<b>(166,705,500,612)</b>
100.1	BIT – current		(97,562,452,910)	(165,790,921,130)
100.2	BIT – deferred		(1,278,407,895)	(914,579,482)
<b>200</b>	<b>NET PROFIT AFTER TAX</b>		<b>432,564,918,377</b>	<b>675,480,154,372</b>
<b>300</b>	<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		-	-
<b>400</b>	<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		-	-
<b>500</b>	<b>EARNINGS PER SHARE</b>			
501	Basic earnings per share (VND/share)	5.8	1,596	3,128
502	Diluted earnings per share (VND/share)	5.8	1,596	3,128



Le Thi Thuy Duong  
Preparer



Lam Huu Ho  
Chief Financial Officer



Trinh Hoai Giang  
Chief Executive Officer  
26 March 2020

# STATEMENT OF CASH FLOWS

Form B 03(b) – CTCK

(Indirect method)

For the year ended

Code	ITEM	Note	31.12.2019 VND	31.12.2018 VND
<b>Cash flows from operating activities</b>				
01	<b>Net profit before tax</b>		<b>531,405,779,182</b>	<b>842,185,654,984</b>
02	<b>Adjustments for:</b>		<b>77,880,837,340</b>	<b>160,835,620,303</b>
03	Depreciation and amortisation		24,717,774,214	20,281,165,370
04	Reversal of provisions		(23,573,148,070)	(10,057,879,220)
06	Interest expenses		137,256,059,537	165,938,942,394
07	Profits from investing activities		(95,013,636)	(2,412,919,199)
08	Accrued interest income		(60,424,834,705)	(12,913,689,042)
10	<b>Changes in non-cash expenses</b>		<b>(516,304,050)</b>	<b>(12,772,740,741)</b>
11	Decrease in revaluation losses of FVTPL financial assets		(516,964,050)	(12,772,740,741)
11.1	Revaluation losses of covered warrants		660,000	-
18	<b>Changes in non-cash income</b>		<b>(3,102,655,403)</b>	<b>35,012,239,201</b>
19	Decrease in revaluation gains of FVTPL financial assets		3,308,332,184	35,012,239,201
20	Decrease in revalued amount of covered warrants liabilities		(6,410,987,587)	-
30	<b>Changes in working capital</b>		<b>(1,449,551,028,333)</b>	<b>848,066,516,593</b>
31	(Increase)/decrease in FVTPL financial assets		(454,584,292,576)	3,550,752,130
33	(Increase)/decrease in loans		(1,434,698,488,750)	1,239,577,460,362
34	Decrease in AFS financial assets		-	311,675,286,366
37	Decrease/(increase) in service-related receivables		424,445,031,797	(271,550,203,970)
39	Decrease in other receivables		14,216,558,439	7,981,004,530
41	Decrease in accrued expenses (excluding interest expenses)		(37,810,538,371)	(9,435,390,531)
42	<b>Increase in prepaid expenses</b>		<b>(270,461,040)</b>	<b>(8,011,454,519)</b>
43	BIT paid		(90,420,756,280)	(197,402,447,080)
44	Interest paid		(128,261,747,739)	(171,732,474,670)
45	Decrease in trade payables		(6,783,957,063)	(1,420,187,464)
46	Increase in employee welfare payables		260,652,936	620,045,550
47	Decrease in tax and other payables to the State (excluding BIT paid)		(1,669,811,456)	(14,898,222,504)
50	Increase/(decrease) in other short-term payables		149,712,074,280	(28,635,985,680)
50.1	Increase in covered warrants payable		20,676,825,890	-
51	Other receipts from operating activities		95,637,881,600	-
52	Other payments for operating activities		-	(12,251,665,927)
60	<b>Net cash (outflows for)/ inflows from operating activities</b>		<b>(843,883,371,264)</b>	<b>1,873,327,290,340</b>
<b>Cash flows from investing activities</b>				
61	Cash paid for purchases of fixed assets		(28,334,699,237)	(27,292,896,315)
62	Proceeds from disposals of fixed assets		104,515,000	112,530,000
70	<b>Net cash outflows for investing activities</b>		<b>(28,230,184,237)</b>	<b>(27,180,366,315)</b>

## STATEMENT OF CASH FLOWS *(continued)*

(Indirect method)

Form B 03(b) – CTCK

		For the year ended	
Code	ITEM	Note	
			31.12.2019 VND
			31.12.2018 VND
<b>Cash flows from financing activities</b>			
71	Proceeds from issuance of shares	6.2	1,222,514,474,000
72	Payments for share repurchases		(2,027,400,000)
73.2	Proceeds from borrowings	6.3	31,004,520,032,398
74.3	Repayments of principals of borrowings	6.4	(30,314,925,120,338)
76	Payment of dividend		(248,757,390,185)
<b>80</b>	<b>Net cash inflows from/(outflows for) financing activities</b>		<b>1,661,324,595,875</b>
<b>90</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>789,211,040,374</b>
<b>101</b>	<b>Cash and cash equivalents at beginning of year</b>		<b>117,332,185,998</b>
101.1	Cash	3.1	117,332,185,998
<b>103</b>	<b>Cash and cash equivalents at end of year</b>		<b>906,543,226,372</b>
103.1	Cash	3.1	906,543,226,372

Major non-cash transactions in the year are presented in Note 6.1.

## CASH FLOWS OF BROKERAGE AND ENTRUSTMENT ACTIVITIES

For the year ended

Code	ITEM	31.12.2019 VND	31.12.2018 VND
<b>Cash flows of brokerage and entrustment activities</b>			
01	Brokerage trading proceeds	67,940,759,977,710	111,418,661,903,490
02	Brokerage trading payments	(72,248,211,899,110)	(105,630,067,603,400)
07	Receipts for settlement of customers' transactions	4,033,540,592,683	-
08	Payments for customers' securities transactions	-	(5,657,618,342,790)
11	Payments for custody fees of customers	(7,616,808,263)	(8,554,349,465)
<b>20</b>	<b>(Decrease)/increase in customers' deposits</b>	<b>(281,528,136,980)</b>	<b>122,421,607,835</b>
<b>30</b>	<b>Customers' deposits at beginning of year</b>	<b>1,022,966,855,215</b>	<b>900,545,247,380</b>
31	Cash at bank	1,022,966,855,215	900,545,247,380
32	<i>Customers' deposits for securities trading under monitoring of the Company</i>	1,022,966,855,215	900,545,247,380
<b>40</b>	<b>Customers' deposits at end of year</b>	<b>741,438,718,235</b>	<b>1,022,966,855,215</b>
41	Cash at bank	741,438,718,235	1,022,966,855,215
42	<i>Customers' deposits for securities trading under monitoring of the Company</i>	741,438,718,235	1,022,966,855,215



Le Thi Thuy Duong  
Preparer



Lam Huu Ho  
Chief Financial Officer



Trinh Hoai Giang  
Chief Executive Officer  
26 March 2020



## STATEMENT OF CHANGES IN EQUITY

Form B 04 – CTCK

Items	As at		For the year ended 31 December 2018	
	1.1.2018	1.1.2019	Increase	Decrease
<b>I. Changes in equity</b>				
1. Owners' capital	1,625,309,121,491	1,625,017,521,491	(291,600,000)	-
1.1 Ordinary shares with voting rights	1,297,567,580,000	1,297,567,580,000	-	-
1.2 Share premium	330,343,798,499	330,343,798,499	-	-
1.3 Treasury shares	(2,602,257,008)	(2,893,857,008)	(291,600,000)	-
2. Supplementary capital reserve	129,756,758,000	129,756,758,000	-	-
3. Financial risk and operation reserve	129,756,758,000	129,756,758,000	-	-
4. Revaluation reserve	70,064,262,508	-	-	(70,064,262,508)
5. Other equity funds	3,961,374,994	3,961,374,994	-	-
6. Undistributed earnings	832,312,877,270	1,172,043,750,012	675,480,154,372	(335,749,281,630)
6.1 Realised profit after tax	861,985,479,360	1,223,955,850,562	697,719,652,832	(335,749,281,630)
6.2 Unrealised (losses)/gains after tax	(29,672,602,090)	(51,912,100,550)	(22,239,498,460)	-
<b>Total</b>	<b>2,791,161,152,263</b>	<b>3,060,536,162,497</b>	<b>675,188,554,372</b>	<b>(405,813,544,138)</b>

	For the year ended 31 December 2019		As at	
	Increase	Decrease	31.12.2018	31.12.2019
	2,117,258,114,000	(330,343,798,499)	1,625,017,521,491	3,411,931,836,992
	1,761,255,050,000	-	1,297,567,580,000	3,058,822,630,000
	358,946,064,000	(330,343,798,499)	330,343,798,499	358,946,064,000
	(2,943,000,000)	-	(2,893,857,008)	(5,836,857,008)
	21,628,245,919	-	129,756,758,000	151,385,003,919
	21,628,245,919	-	129,756,758,000	151,385,003,919
	-	-	-	-
	-	-	3,961,374,994	3,961,374,994
	432,564,918,377	(1,019,128,849,074)	1,172,043,750,012	585,479,819,315
	428,945,958,924	(1,019,128,849,074)	1,223,955,850,562	633,772,960,412
	3,618,959,453	-	(51,912,100,550)	(48,293,141,097)
	<b>2,593,079,524,215</b>	<b>(1,349,472,647,573)</b>	<b>3,060,536,162,497</b>	<b>4,304,143,039,139</b>

Le Thi Thuy Duong  
Preparer

Lam Huu Ho  
Chief Financial Officer



Trinh Hoai Giang  
Chief Executive Officer  
26 March 2020

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 december 2019

Form B 09 – CTCK

## 1 GENERAL INFORMATION

### **Establishment and listing**

Ho Chi Minh City Securities Corporation ("the Company") is a joint stock company incorporated in Vietnam under Business registration certificate No. 4103001573 issued by the Department of Planning and Investment of Ho Chi Minh City on 23 April 2003 and the Establishment and operation licence No. 11/UBCK-GPHĐKD issued by the State Securities Commission ("SSC") on 29 April 2003. The Establishment and operation licence was amended several times and the latest amendment No. 13/GPĐC-UBCK was issued on 16 March 2020.

The Company was listed on the Ho Chi Minh City Stock Exchange in accordance with Decision No. 27/QĐ-SGDHCM issued by the Ho Chi Minh City Stock Exchange on 20 April 2009.

### **Headquarter and contact information**

The Company is headquartered at 5<sup>th</sup> – 6<sup>th</sup> Floor, AB Tower, 76 Le Lai Street, Ben Thanh Ward, District 1, Ho Chi Minh City, Vietnam.

Contact information:  
 Email: info@hsc.com.vn  
 Telephone: (+84 28) 3823 3299

### **Company charter**

The Company's Charter was latest updated on 25 June 2019.

### **Capital size**

	As at 31 December 2019 ("reporting date") VND
The Company's charter capital	3,058,822,630,000
Total owners' equity	4,304,143,039,139
Total assets	7,488,678,629,348

### **Investment objectives and investment restrictions**

Being a listed broker firm in the Vietnamese securities market, the Company aims to contribute to the development of the securities market and deliver benefits to customers, investors and its shareholders. The Company's investment portfolio and its restrictions shall follow the investment objectives and investment strategy as stipulated in its Articles of association and applicable securities rules.

### **Structure of the Company and businesses**

As at the reporting date, the Company had 7 branches and transaction offices in Vietnam.

## **Principal activities**

The principal activities of the Company include provision of securities brokerage service, proprietary securities trading, securities investment consultancy service, corporate finance consultancy service, and underwriting and securities custodian services.

## **Overview of business operations during the year and their impacts to the financial statements**

The market in 2019 witnessed less initial public offerings and lower trading volume as compared to 2018. As a result, the Company's profit after tax was achieved at 68% of actual result of 2018, details are as follows:

- Brokerage fee income decreased by 37% as compared to 2018 due to a significant drop of 28% in market trading volume;
- Financial consultancy service income decreased by 55% as compared to 2018 due to fewer transactions completed in 2019;
- Income from proprietary trading (including net gains on disposal of financial assets, dividends and interest income, and revaluation gains of financial assets) decreased by 20% as there were fewer sales of securities at high gain as in 2018;
- Total operating expenses decreased in line with revenue and income, in which brokerage fee expenses reduced by 24%, custody service expenses reduced by 21% and financial consultancy service expenses reduced by 25%;
- Interest expenses decreased by 17% as compared to 2018 as the Company raised capital of VND1,200 billion in the second quarter of 2019, thereby reducing the average borrowing balances; in addition, the Company mobilised new source of finance from borrowings at lower interest rate in October 2019 (Note 3.11);
- General and administrative expenses increased by 23% as compared to 2018 due to increase in headcount at supporting functions, expenses for information technology; external consultancy services and other administrative expenses to cope with the expansion.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System, Circular 210/2014/TT-BTC dated 30 December 2014 ("Circular 210/2014/TT-BTC"), Circular 334/2016/TT-BTC dated 27 December 2016 ("Circular 334/2016/TT-BTC"), Official Letter No. 6190/BTC-CĐKT dated 12 May 2017 ("Official Letter 6190/BTC-CĐKT") and Circular 23/2018/TT-BTC dated 12 March 2018 ("Circular 23/2018/TT-BTC") all issued by the Ministry of Finance, and prevailing regulations on the preparation and presentation of financial statements applicable to securities companies operating in Vietnam.

The accompanying financial statements are not intended to present financial position and results of operations, cash flows and changes in equity in accordance with accounting principles generally accepted in jurisdictions other than Vietnam. The accounting principles and practices utilised in Vietnam may differ from those generally accepted in countries and jurisdictions other than Vietnam.

The financial statements in Vietnamese language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Vietnamese language financial statements.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets ("AFS") based on market value or fair value (in case market value is indeterminable).

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 december 2019

Form B 09 – CTCK

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.2 Accounting estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and prevailing regulations on preparation and presentation of financial statements applicable to securities companies operating in Vietnam requires the Board of Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the financial year.

The areas involving significant estimates and assumptions are as follows:

- Market value/fair value of financial assets (Note 2.7 and Note 3.2);
- Provisions for impairment loss of HTM financial assets and loans (Note 2.7 and Note 3.3);
- Provision for doubtful debts (Note 2.8 and Note 3.5);
- Estimated useful life of fixed assets (Note 2.11 and Note 3.7);
- Estimated useful life of prepaid expenses (Note 2.13 and Note 3.8).

#### 2.3 Form of records applied

The Company uses the accounting software tailored in general journal to record its transactions.

#### 2.4 Fiscal year

The Company's fiscal year is from 1 January to 31 December.

#### 2.5 Currency

The financial statements are presented in the Vietnamese Dong ("VND"), which is also the Company's accounting currency.

The Company determine their accounting currency based on the currency which is mainly used in trading securities and rendering of services, which has a significant impact on selling prices of securities and services, which is normally used to set the prices and receive payments; which is mainly used in purchases of goods or services, which has a significant impact on staff costs or operating costs, and is normally used as payments for those costs.

Additionally, the Company also uses this currency to raise financial resources (such as via issuance of shares or bonds) and/or regularly collect this currency from business operations and savings.

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in profit or loss of the statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies at the reporting date, except liabilities that have been hedged, are respectively translated at the buying and selling exchange rates at the reporting date of the commercial bank where the Company regularly trades. Foreign currencies deposited in bank at the reporting date are translated at the buying exchange rate of the commercial bank where the Company opens the foreign currency accounts.

Foreign exchange differences arising from these translations are recognised as income or expenses in profit or loss of the statement of comprehensive income.



## 2.6 Cash and cash equivalents

Cash comprise cash on hand, cash at bank of the Company, security deposit for covered warrants issued and other short-term investments with maturity within three (3) months since purchase, which are highly liquid, readily convertible to cash and subject to an insignificant risk of conversion.

Cash of customers for securities trading activities and cash of issuers are accounted for off statement of financial position.

## 2.7 Financial assets

### (a) *Classification and measurement*

#### (i) Financial assets measured at fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss are financial assets held for trading or designated by the Board of Management at initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if meeting one of the following conditions:

- It is purchased or created for resale/repurchase in short term; or
- At initial recognition, it constitutes a part of an identified portfolio of financial instruments which are traded for short-term profits; or
- It is a derivative (except those defined as financial guarantees or effective hedges).

At initial recognition, the Board of Management designates a financial asset at fair value through profit or loss if such designation promotes the fairness of its presentation due to one of the following reasons:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency (also called as "accounting mismatch") that would otherwise arise due to different bases; or
- It gives rise to a group of financial assets whose performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and internally disseminated to the Company's key management (as defined in Vietnamese Accounting Standard on Related parties disclosure) such as Board of Directors, Board of Management and major shareholders.

Financial assets at fair value through profit or loss are initially recorded at cost exclusive of transaction costs. Transaction costs related to purchases of FVTPL financial assets are expensed off immediately.

Financial assets at fair value through profit or loss are subsequently measured at market value or fair value (in case market value is indeterminable). Those shares, including derivatives to be settled in shares, that not traded on active market or those whose fair value is not reliably determined are accounted at cost.

All gains or losses from change in fair value of FVTPL financial assets are recognised in profit or loss of the statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 december 2019

Form B 09 – CTCK

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.7 Financial assets *(continued)*

##### (a) Classification and measurement *(continued)*

##### (ii) Held-to-maturity financial assets ("HTM")

HTM financial assets are non-derivative financial assets with the followings characteristics:

- Payments are fixed or determinable;
- Maturity is fixed;
- The Company has positive intention and ability to hold to maturity.

The following assets are excluded from HTM financial assets:

- Non-derivatives classified as FVTPL financial assets at initial recognition;
- Non-derivatives classified as available-for-sale ("AFS") financial assets; and
- Non-derivatives qualifying conditions to be classified as loans and receivables.

HTM financial assets are initially recorded at cost inclusive of directly attributable purchase costs, subsequently measured at amortised cost using effective interest method ("EIR").

Effective interest method is a method used in calculating the amortised cost of an HTM financial asset or a group of HTM financial assets and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the financial instrument's expected life, or a shorter period where appropriate, to the net present value of a financial asset or a financial liability.

Amortised cost of HTM financial assets is determined at historical cost less principal received plus (or less) accumulated amortisation using effective interest rate method between historical cost and maturity value, less impairment loss (if any).

As at reporting date, HTM investments are provided for impairment loss when there is any objective evidence of impairment or uncollectibility as a result of one or more events that occurred subsequent to the initial recognition and affected estimated future cash flows of HTM investments. Objective evidence of impairment may include:

- Significant financial difficulty of the issuer or the obligor;
- A breach of contract, such as default or delinquency in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- (i) Adverse changes in the payment status of borrowers in the group; or
- (ii) National or local economic conditions that correlate with defaults on the assets in the group.

Provision for impairment of HTM financial assets is determined at the difference of the estimated recoverable amount and the carrying value of HTM financial assets at the reporting date. Provision/(reversal of provision) for such impairment is debited/credited to expenses in profit or loss of the statement of comprehensive income.

HTM financial assets are classified as current and non-current assets in the statement of financial position based on their remaining maturity as at the reporting date.

(iii) Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

In the reporting year, the Company had the following types of loans:

- Margin loans: the amounts lent to customers for their purchases of listed securities in accordance with Decision 87/QD-UBCK issued by the State Securities Commission on 25 January 2017. According to this regulation, the initial margin (ratio of net equity to market value of security to be purchased on margin as at trading date) is set by the Company but shall be not lower than 50%. The margin loans are collateralised by securities eligible for margin lending;
- Trading advances: the amounts advanced to customers at the trading date. These amounts are repaid within two (2) trading days.

Loans are initially recorded at cost and subsequently measured at amortised cost using the EIR method.

Amortised cost of loans is determined at historical cost less principal received plus (or less) accumulated amortisation using the EIR between historical cost and maturity value, less impairment loss (if any).

As at reporting date, loans are provided for impairment loss when there is any objective evidence of impairment. Provision for impairment of loans is determined at the difference of market value of collateral and the carrying value of loans at the reporting date. Provision/(reversal of provision) for such impairment is debited/credited to expenses in profit or loss of the statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 december 2019

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.7 Financial assets *(continued)*

##### (a) Classification and measurement *(continued)*

###### (iv) Available-for-sale financial assets ("AFS")

AFS financial assets are non-derivative financial assets that are not classified as FVTPL, HTM, loans nor receivables.

AFS financial assets are initially recorded at cost inclusive of directly attributable purchase cost.

At the reporting date, AFS financial assets are measured at fair value. Those shares not traded on active market or those whose fair value is not reliably determined are accounted at cost.

All gains or losses from revaluation of AFS financial assets are accounted for directly in equity (other comprehensive income) through the statement of changes in equity, exclusive of impairment losses. Such recognition is applied until the asset is de-recognised.

At derecognition, accumulated gains or losses in equity are recognised in profit or loss of the statement of comprehensive income as a reclassification. Gains using effective interest method is recognised in profit or loss of the statement of comprehensive income in accordance with Standard on Revenue recognition.

As at reporting date, AFS financial assets are provided for impairment loss when there is any objective evidence of impairment.

Objective evidence of impairment for debt instruments may include those identified as for HTM financial instruments.

Objective evidence of impairment for equity instruments may include:

- Significant changes which adversely affect the issuer's operations as a result of their impacts on the technological, market, economic or legal environment, and indicates that the cost of the equity instrument may not be recovered;
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Provision for impairment is determined at the difference of the estimated recoverable amount and the carrying value of AFS financial assets at the reporting date.

Impairment loss of AFS financial asset is recorded directly to previously recognised revaluation gain in equity (if any), when there is objective evidence that the AFS financial asset is impaired, accumulated revaluation loss in equity is reclassified to profit or loss of the statement of comprehensive income despite that asset is yet derecognised.

**(b) Reclassification**

**(i) Reclassification of non-FVTPL financial assets upon disposal**

Non-FVTPL financial assets are reclassified to FVTPL financial assets before disposal. Accumulated revaluation of AFS financial assets in equity will be recorded on the statement of comprehensive income as a reclassification.

**(ii) Reclassification due to change in intention/ability to hold the financial assets**

Reclassification of financial assets due to change in intention/ability to hold the assets is permitted, provided that:

- Non-derivative FVTPL financial assets that are not required to be classified as FVTPL at initial recognition may be reclassified as loans and receivables in limited circumstances or cash and cash equivalents if meeting certain conditions for reclassification. Gains and losses from revaluation of FVTPL financial assets arising before the reclassification are not reversed;
- If the change in intention/ability to hold a financial asset results in it being inappropriately reclassified as an HTM asset, that asset must be reclassified as AFS and re-measured at fair value. Difference between its carrying value and fair value is recognised in profit or loss of the statement of comprehensive income as a reclassification.

**(c) Recognition/de-recognition**

Purchases and sales of financial assets are recognised on trade date – the date on which the Company becomes a party to the contractual provisions of the instruments.

Financial assets are de-recognised when the right to receive cash flows from the financial assets has expired or the Company has transferred substantially all risks and rewards of ownership of those financial assets .

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, but has neither transferred substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises 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.



**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 december 2019

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**2.7 Financial assets** (continued)**(d) Initial recognition**

FVTPL financial assets are initially recognised at purchase cost exclusive of transaction costs. Other financial assets are initially recorded at historical cost including directly attributable purchase cost.

Bonus issues and stock dividends are initially recognised as financial assets at nil cost.

**(e) Determination of market value/fair value**

The Company applies valuation bases of financial assets in accordance with Circular 87/2017/TT-BTC dated 15 August 2017 regarding capital adequacy ratio of securities trading entities ("Circular 87/2017/TT-BTC") and Circular 146/2014/TT-BTC dated 6 October 2014 regarding financial regimes for securities companies and fund management companies ("Circular 146/2014/TT-BTC"), both issued by the Ministry of Finance in determining the market value/fair value of financial assets, in particular:

- (i) *Shares listed on stock exchanges, shares of the public companies registered for trading on the Unlisted Public Company Market ("UPCoM")*

*These shares are revalued at the closing price of the latest trading date prior to the valuation date.*

- (ii) *Other shares*

*Other shares are measured at fair value based on review of financial position and book value of the issuers at valuation date.*

- (iii) *Bonds listed on stock exchanges*

*These bonds are revalued basing on the quoted price (also called "clean price") on stock exchanges at the latest trading date prior to the valuation date plus accumulated accrued interests. Those bonds not traded for more than two (2) weeks prior to valuation date are carried at their purchase prices plus accumulated accrued interests.*

- (iv) *Unlisted bonds*

*Unlisted bonds are measured at their purchase prices plus accumulated accrued interests.*

- (v) *Certificates of open-ended funds/ exchanged traded fund*

*These certificates are revalued at net asset value per fund unit at the fund's latest reporting date prior to the valuation date of the Company.*

- (vi) *Delisted shares/ shares suspended from six days or longer*

*These shares are revalued based on its book value at the latest reporting date.*

Unless otherwise stated above, securities are measured at fair value based on review of financial position and book value of the issuers at valuation date.

**(f) Recognition of gains/(losses)**

*Purchase transaction costs*

Transaction costs related to purchases of FVTPL financial assets are expensed off, while transaction costs related to purchases of other financial assets are capitalised.

*Selling transaction costs*

Selling transaction costs are expensed off.

*Gain/(loss) on disposal*

Gain/(loss) on disposal of financial assets are accounted for as income/(expenses) in profit or loss of the statement of comprehensive income. Costs of disposed financial assets are determined using the weighted average method up to the end of trading dates.

*Provision/(reversal of provision) for impairment of financial assets*

Provision/(reversal of provision) for impairment of financial assets is debited/ credited to expenses in profit or loss of the statement of comprehensive income.

**2.8 Receivables**

Receivables comprise receivables from disposal of financial assets, dividend and interest receivable, service-related receivables, receivables from trading errors and other receivables. Receivables are recorded on an accrual basis and presented at cost less provision for impairment or uncollectibility (if any).

Receivables are classified as current and non-current assets in the statement of financial position based on their remaining maturity as at the reporting date.

Provision for doubtful debts is made for each outstanding amount based on number of days past due according to initial payment commitment (ignoring any mutually agreed extension), or based on the estimated loss that may arise. Bad debts are written off when identified.

Provision/(reversal of provision) for impairment is debited/credited to expenses in profit or loss of the statement of comprehensive income.

**2.9 Repurchase and reverse repurchase agreements**

Securities sold under agreements to repurchase at a specified future date ("repos") are not de-recognised from the statement of financial position. The corresponding proceeds are recognised in the statement of financial position as a liabilities. The differences between the selling prices and the repurchase prices are recognised as interest expenses and are accrued over the agreement periods.

Conversely, securities purchased under agreements to resell at a specified future date ("reverse repos") are not recognised in the statement of financial position. The corresponding cash paid are recognised in the statement of financial position as assets. The differences between the purchase prices and resale prices are recognised as interest income and are allocated over the agreement periods.

For overdue commitments, the Company considers making provision for impairment.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 december 2019

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.10 Futures

Futures are listed derivatives in which the parties commit to:

- Buy or sell a quantity of underlying asset at a pre-determined price on a pre-determined future date; or
- Settle the difference between the pre-determined transaction price and the price of the underlying asset on the pre-determined future date.

The Company accounts for futures in accordance with guidance of the Official Letter 6190/BTC-CDKT, in particular:

##### *Proprietary trading activities*

Deposit for derivatives trading activities is accounted as 'Other current assets' in the statement of financial position.

Securities deposited for derivatives trading activities are not de-recognised but rather monitored under sub-accounts of the same type of financial assets and separately disclosed in the financial statements.

Gain (or loss) on futures position are determined and settled on a daily basis at the difference between the closing settlement price on accounting date and that on the latest trading date. Gain (or loss) on futures position is accounted as realised income (or expense) in the statement of comprehensive income under item 'Gain (or loss) on disposal of FVTPL financial assets'.

Interest arising on deposit for derivatives trading activities is accounted as a financial income in the statement of comprehensive income under item 'Dividend income and interest income from demand deposits'.

##### *Brokerage activities*

Deposit in Derivatives Clearing Fund is accounted as 'Other non-current assets' in the statement of financial position.

Revenue on futures brokerage is accounted in the statement of comprehensive income under item 'Brokerage fee income'.

Cash and securities deposited for derivatives trading activities of customers is accounted for off statement of financial position under item 'Customers' deposits for derivatives trading' and 'Customers' deposits at VSD'.

#### 2.11 Fixed assets

##### *Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation or amortisation. Historical cost includes all costs necessary to bring the assets to working condition for their intended use. Subsequent expenditures can be capitalised only if they result in probable future economic benefits from using the assets. Unqualified expenditures are immediately expensed off.

### *Depreciation and amortisation*

Fixed assets are depreciated/amortised using the straight-line method to write off the historical cost of the fixed assets over their estimated useful lives, specifically as below:

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

### *Disposals*

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount of the fixed assets and are recognised as income or expense in the statement of comprehensive income.

### *Construction in progress*

Construction in progress represents the cost of assets in the course of completion for operation or administrative purposes, including all necessary costs for qualifying assets. Depreciation of these assets, on the same basis as other fixed assets, commences when they are ready for their intended use.

## **2.12 Leased assets**

Leases where a significant portion of the risks and rewards incidental to the asset ownership are retained by the lessor are classified as operating leases. Operating lease payments are charged to the statement of comprehensive income on a straight-line basis over the lease term.

## **2.13 Prepaid expenses**

Prepaid expenses include prepayments for goods and services, tools and equipment not qualified to be recognised as fixed assets under prevailing regulations. Prepaid expenses are initially recorded at cost and allocated to expenses over their estimated useful lives using straight-line method.

The following items are classified as prepaid expenses and amortised to expenses over two (2) to forty (40) years in profit or loss of the statement of comprehensive income:

- Office renovations;
- Office rentals; and
- Office supplies.

## **2.14 Short-term/long-term security deposits**

Short-term/long-term security deposits are recognised when the Company makes its payments in accordance with the contractual terms and are classified as other current/ non-current assets.

## **2.15 Liabilities**

### **(a) Recognition/de-recognition**

Liabilities are recognised when the Company has an obligation as a result of receipts of assets, commits or becomes a party to the contractual provisions. Liabilities are de-recognised when such obligations are fully discharged. Liabilities are recognised on an accrual basis and on prudence concept.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 december 2019

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.15 Liabilities *(continued)*

##### *(b) Classification*

Classifications of liabilities are based on the type of transactions on which they arise as follows:

- Borrowings;
- Issued bonds;
- Trading obligations;
- Covered warrant liabilities;
- Trade payables arising from purchases of financial assets, goods or services; and
- Other payables including non-trade payables and those not arising from purchases of financial assets, goods and services.

Liabilities are classified as current and non-current liabilities in the statement of financial position based on their remaining year from the reporting date to their maturity dates.

#### 2.16 Offsetting financial instruments

Financial liabilities are contractual obligations to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company, or contracts that may be settled in the Company's own equity instruments.

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Company has an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### 2.17 Borrowings

Borrowings include borrowings from banks. Borrowings are stated at cost as at reporting date.

Borrowings are classified as current and non-current liabilities in the statement of financial position based on their remaining year from the reporting date to their maturity dates.

#### 2.18 Issued bonds

Issued bonds are initially recognised at their issuance prices. Premiums/(discounts) are determined at issuances and allocated to borrowing costs or capitalised during the bond tenors using straight line method.

Issued bonds balances are presented on a net basis (par values plus unallocated premiums or minus unallocated discounts at the reporting date).

Issued bonds are classified as current and non-current liabilities in the statement of financial position based on their tenors.

## 2.19 Covered warrants

Covered warrant is a collateralised securities issued by the securities companies that gives the holders the right to buy from (call warrant) or sell to (put warrant) the warrant issuer an underlying asset at a pre-determined price, at or by a pre-determined point of time, or receive an amount of cash at the difference between exercise price and price of the underlying asset on exercise date. The securities companies issuing covered warrants are required to deposit cash and financial assets, or obtain bank guarantees to secure their obligations to the warrant holders.

The Company accounts for covered warrants in accordance with guidance of the Circular 23/2018/TT-BTC, in particular:

### *Covered warrants issued by the Company*

Proceeds from issuance of warrants are accounted as covered warrant liabilities.

When the Company buys back covered warrants it issued for market-making purpose, or when the covered warrants are delisted and buybacks are mandatory, positive (or negative) differences between buyback price and carrying value of covered warrants are recognised as gain (or loss) in the statement of comprehensive income.

All costs incurred for buybacks and issuance of covered warrants are expensed off immediately. Indemnifications for customers due to late payments are accounted as other expenses.

As at reporting date, covered warrants are fair valued. Increase (or decrease) in fair value of covered warrants is recognised in gain (or loss) in the statement of comprehensive income.

Gain (or loss) on expiry of covered warrant is recognised as gain (or loss) on disposal of FVTPL financial assets in the statement of comprehensive income.

Authorised quantity of covered warrants, issued quantity of covered warrants and buyback quantity of covered warrants are monitored off the statement of financial position. Such quantities as at reporting date are disclosed in off the statement of financial position items.

### *Securities used as hedges against covered warrants*

Securities used as hedges against position of covered warrants are monitored under separate accounts and revalued at reporting date. Revaluation result is accounted similarly to FVTPL financial assets.

### *Proprietary trading of covered warrants*

When the Company purchases covered warrants issued by other issuers for investing purpose, such covered warrants are accounted as FVTPL financial assets.

## 2.20 Income tax paid on behalf of investors

According to the prevailing taxation regulations in Vietnam, the Company is required to withhold foreign contractor tax of 0.1% on trading proceeds of foreign institutional investors and pay on their behalf. For individual investors (both residents and non-residents), the Company is required to withhold personal income tax of 0.1% on their trading proceeds. The Company will declare and make tax payment on behalf of these investors. For local institutional investors, the Company is not responsible for withholding tax as these entities are responsible for their own tax payments and declarations.



## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 december 2019

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 2.21 Accrued expenses

Accrued expenses include liabilities for goods and services received in the reporting year but not yet paid due to pending invoice or insufficient records and documents. Accrued expenses are recorded as expenses in the reporting year.

#### 2.22 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligations. If the time value of money is material, provisions will be measured at the present value using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the obligations. The increases in the provision due to passage of time are recognised as financial expenses.

Changes in the provision balances during the year are debited or credited to operating expenses.

#### 2.23 Equity

##### (a) *Owners' capital*

Owners' capital is recorded according to the actual amounts contributed and is recorded according to the par value of the shares.

Share premium is the difference between the par value and the issue price of shares and the difference between the repurchase price and re-issuing price of treasury shares.

Treasury shares are shares issued by the Company and bought back by itself, but these are not cancelled and may be re-issued in accordance with the Law on securities. Treasury shares are recorded at cost and deducted from equity. The Company does not account for gains/(losses) from purchase/sale, issuance/cancellation of its equity instruments.

##### (b) *Revaluation reserve*

Revaluation reserve reflects the differences arising on revaluation of AFS.

##### (c) *Financial and operational risk reserve and supplementary capital reserve*

According to Circular 146/2014/TT-BTC, the securities companies and fund management companies are required to make annual appropriation to the financial and operational risk reserve and supplementary capital reserve at 5% of the post-tax profit for each reserve in each of its profitable years until the accumulated balance of each reserve reaches 10% of the charter capital.

Financial and operational risk reserve is made to compensate the residual losses and damages arising in operation beyond the indemnification received from the parties causing damages and insurance companies and the utilisation of indemnity funds and the relevant provisions made.

Supplementary capital reserve serves as a financial resource to increase charter capital.

**(d) Other equity funds**

Other equity funds are made in accordance with resolutions of Annual General Meeting of shareholders.

**(e) Undistributed earnings**

Undistributed earnings represent cumulative undistributed post-tax profits at the reporting date including cumulative realised profits and cumulative unrealised profits.

Unrealised profit/(loss) of the year is the total difference between gain and loss arising from revaluation of financial assets at FVTPL or other financial assets charged into the statement of comprehensive income and deferred income tax arising from such revaluation.

Realised profit during the year is the difference between total revenue, income and total expenses in the statement of comprehensive income, except for gain or loss arising from revaluation of financial assets recognised in unrealised profit/(loss).

**2.24 Dividend distribution**

The Company's dividend declaration is recognised as a liability in the financial statements when the dividend is approved by in the General Meeting of Shareholders or when the Board of Directors declares interim dividends in accordance with the Company Charter and prevailing regulations.

Dividend base for distribution is post-tax realised profits after deducting amounts appropriated to financial and operational risk reserve and supplementary capital reserve.

**2.25 Assets of customers and liabilities to customers**

Assets of customers and liabilities to customers are presented as off separate statement of financial position including:

- Customers' deposits for securities trading, cash of securities issuers and related liabilities; and
- Financial assets of customers.

**2.26 Revenue and income recognition**

**(a) Revenue from provision of services to investors**

Revenue from provision of services to investors comprises securities brokerage fees, securities underwriting fees, financial consultancy fees, securities custody service and entrustment service fees.

Revenue from the provision of services is recognised in the statement of comprehensive income when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue from the provision of services is only recognised when all four following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The percentage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 december 2019

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### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***

#### **2.26 Revenue and income recognition *(continued)***

##### **(a) Revenue from provision of services to investors *(continued)***

When the outcome of a service delivery transaction cannot be ascertained, revenue is recognized in proportion to the recognised and recoverable cost.

Revenue deductions include price discounts. Revenue deductions incurred in the same period of the related revenue are recorded as a deduction from the revenue of that period.

Revenue deductions incurred after the reporting date but before the issuance of the financial statements are recorded as a deduction from the revenue of the reporting period.

##### **(b) Income from proprietary trading of financial assets**

Income from proprietary trading of financial assets comprises gain/(loss) from sales or disposal of financial assets and dividend income.

Gain/(loss) from sales or disposal of financial assets is measured as difference between selling price before selling costs and costs of securities disposed. Costs of securities disposed are determined using the weighted average method up to the end of trading dates.

Dividend income is recognised in the statement of comprehensive income when the Company's right to receive dividend is established, except for scrip dividends whose quantity is added to the Company's securities portfolio and is not recognised as income.

##### **(c) Income from working capital management**

Income from working capital management comprises interest income from deposits at bank, income from HTM investments, income from margin loans and trading advances. This income is recognised on an accrual basis unless collectability is in doubt.

##### **(d) Revenue from securities repurchase and reverse repurchase agreements**

Revenue from securities repurchase and reverse repurchase agreements is recognised over the life of the agreement.

##### **(e) Other income**

Other income includes non-recurring income generated from activities other than those generating the revenue and income described above.

#### **2.27 Expenses**

##### **(a) Recognition**

Expenses are recognised on an accrual basis, matching with revenue and on prudence concept.

**(b) Classification**

Expenses are classified by function as follows:

- Operating expenses;
- Financial expenses;
- General and administration expenses; and
- Other expenses.

**2.28 Financial income**

Financial income reflects income from investment activities arising during the year including interest income from bank deposits.

**2.29 Borrowing costs**

Borrowing costs that are directly attributable to the construction or completion of any qualifying assets are capitalised during the period that is required to complete and prepare the asset for its intended use.

In respect of general-purpose borrowings, a portion of which used for the purpose of construction or completion of any qualifying assets, the Company determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the weighted average expenditure on that assets. The capitalisation rate is the weighted average of the interest rates applicable to the Company's borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Other borrowing costs are charged to expenses in the statement of comprehensive income when incurred.

**2.30 General and administration expenses**

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses, outside services, depreciation expenses, office rental expenses and other expenses.

**2.31 Current and deferred income tax**

Income taxes include all income taxes which are based on taxable profits including profits generated from operations and trading activities in other countries with which the Vietnam has not signed any double tax relief agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profit and the current tax rates. Current and deferred income tax should be recognised as an income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 december 2019

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***2.32 Related parties**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including The Board of Directors and the Board of Management of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering the related party relationship, the Company considers the substance of the relationship not merely the legal form.

**2.33 Segment reporting**

A segment is a separable component of the Company engaged in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of other segments. A reportable segment is the Company's business segment.

Segment reporting is prepared and presented in accordance with accounting policies applied to the preparation and presentation of the Company's financial statements in order to help users of financial statements to understand and evaluate the Company's operations in a comprehensive way.

**2.34 Nil items**

Items required by Circular 334, Official Letter 6190 and Circular 23 that are not presented in these financial statements indicate nil items.

**3 NOTES TO THE STATEMENT OF FINANCIAL POSITION****3.1 Cash**

	As at	
	31.12.2019	31.12.2018
	VND	VND
<b>Cash</b>		
Cash on hand	282,536,566	214,969,560
Cash at bank	837,260,689,806	117,117,216,438
Security deposit for covered warrants issued (*)	69,000,000,000	-
<b>Total</b>	<b>906,543,226,372</b>	<b>117,332,185,998</b>

(\*) This balance represents security deposit at custodian banks in relation to covered warrants issued by the Company (as at 31 December 2018: nil). This deposit is blocked during the effective period of the covered warrants and maintained at least 50% of the value of the issued covered warrants, excluding those delisted covered warrants in accordance with Circular 107/2016/TT-BTC issued by the Ministry of Finance on 29 June 2016.

### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)

#### 3.2 Financial assets

##### (a) Financial assets measured at fair value through profit or loss ("FVTPL")

	Ticker symbol	As at 31.12.2019		As at 31.12.2018	
		Cost VND	Market value/ fair value VND	Cost VND	Market value/ fair value VND
<b>Listed shares and shares traded on UPCoM</b>					
Military Commercial Joint Stock Bank	MBB	360,948,994,027	321,227,493,648	709,217,997,093	672,534,932,248
		170,048,570,935	154,448,944,000	31,795,383,922	29,621,027,400
Mobile World Investment Corporation	MWVG	67,247,958,612	63,776,388,000	106,614,140,257	105,527,259,000
FPT Corporation	FPT	24,773,347,209	25,032,154,400	19,890,578,135	19,947,771,200
Vietnam Prosperity Joint-Stock Commercial Bank	VPB	21,988,881,980	20,336,680,000	75,480,916,835	69,438,907,650
Technological and Commercial Joint Stock Bank	TCB	17,845,690,449	17,462,136,600	2,870,235,050	2,585,258,500
Others		59,044,544,842	40,171,190,648	472,566,742,894	445,414,708,498
<b>Unlisted and unregistered shares</b>		<b>19,009,000,000</b>	<b>4,833,498,000</b>	<b>36,552,640,000</b>	<b>22,377,138,000</b>
Viet Nam Investment Fund Management JSC		-	-	21,803,640,000	21,803,640,000
Others		19,009,000,000	4,833,498,000	14,749,000,000	573,498,000
<b>Underlying assets designated as hedges for covered warrants</b>		<b>74,115,366,734</b>	<b>73,306,695,400</b>	<b>-</b>	<b>-</b>
Mobile World Investment Corporation	MWVG	22,618,399,146	22,761,240,000	-	-
FPT Corporation	FPT	19,752,343,224	20,188,124,000	-	-
Military Commercial Joint Stock Bank	MBB	19,320,258,909	18,246,966,400	-	-
Others		12,424,365,455	12,110,365,000	-	-



**NOTES TO THE FINANCIAL STATEMENTS** (continued)

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**3 NOTES TO THE STATEMENT OF FINANCIAL POSITION** (continued)**3.2 Financial assets****(a) Financial assets measured at fair value through profit or loss ("FVTPL") (continued)**

	Ticker symbol	As at 31.12.2019		As at 31.12.2018	
		Cost VND	Market value/ fair value VND	Cost VND	Market value/ fair value VND
<b>Listed bond</b>		<b>500,989,500,000</b>	<b>500,989,500,000</b>	<b>81,450,161,318</b>	<b>81,450,161,318</b>
Bank for Investment and Development of Vietnam	BID11908	499,989,500,000	499,989,500,000	-	-
Vietnam Bank for Social Policies	BVBS18164	1,000,000,000	1,000,000,000	-	-
Ho Chi Minh City Infrastructure Investment JSC	CI11709	-	-	81,450,161,318	81,450,161,318
<b>Unlisted bond</b>		<b>386,124,240,000</b>	<b>386,124,240,000</b>	<b>1,000,000,000</b>	<b>1,000,000,000</b>
Vietnam State Treasury		386,124,240,000	386,124,240,000	-	-
Vietnam Bank for Social Policies	BVBS18164	-	-	1,000,000,000	1,000,000,000
<b>ETF certificates</b>		<b>149,232,571</b>	<b>151,437,600</b>	<b>58,531,242,345</b>	<b>57,477,708,640</b>
VFMVN30 ETF	E1VFN30	149,232,571	151,437,600	58,531,242,345	57,477,708,640
<b>Total</b>		<b>1,341,336,333,332</b>	<b>1,286,632,864,648</b>	<b>886,752,040,756</b>	<b>834,839,940,206</b>

Detailed information of bonds are as follows:

	Collateral assets	Issuance date	Maturity date	Interest rate per annum	Par value/ share VND
<b>Listed bond</b>					
Bank for Investment and Development of Vietnam - BID11908	No	21/11/2019	21/11/2026	(*)	100,000
Vietnam Bank for Social Policies - BVBS18164	No	14/08/2018	14/08/2023	5%	100,000
Ho Chi Minh City Infrastructure Investment JSC - CII11709	No	26/07/2017	26/07/2019	(**)	100,000
<b>Unlisted bond</b>					
Vietjet Aviation Joint Stock Company	No	26/07/2019	26/07/2022	(***)	100,000

(\*) Interest rate is determined at the total of the reference interest and a margin of 1.3% per annum. Interest rate is periodically adjusted in every 6 months. The reference interest rate is the arithmetic average of 12-month (or equivalent term) interest rate for VND savings deposits (interest paid in arrears) published on the websites of the four (04) banks being Vietnam Bank for Agriculture and Rural Development ("Agribank"), Vietnam Bank for Industry and Trade ("Vietinbank"), Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank") – Transaction Office, and Joint Stock Commercial Bank for Investment and Development of Vietnam ("BIDV") – Hanoi.

If the issuer does not redeem the bond on redemption date, the interest rate applied for 6th and 7th interest period will be the total of the reference interest rate and a margin of 3.55% per annum.

(\*\*) Interest rate for the first year is 8% per annum. Interest rate for second year is the total of the reference interest rate and a margin of 1% per annum. The reference interest rate is the arithmetic average of the twelve (12) month term deposit interest rate for VND corporate savings (interest paid in arrears) published by the four (04) banks being BIDV, Vietinbank, Vietcombank and Agribank.

(\*\*\*) Interest rate for the first two (02) periods is 9.0% per annum. Interest rate for each period thereafter is the total of 3.0% per annum and the reference interest rate. The reference interest rate is the arithmetic average of the twelve (12) month (or equivalent term) deposit interest rate for VND corporate savings (interest paid in arrears) published on the interest determination date by the four banks being BIDV, Vietinbank, Vietcombank and Agribank.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

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**3 NOTES TO THE STATEMENT OF FINANCIAL POSITION** (continued)**3.2 Financial assets****(a) Financial assets measured at fair value through profit or loss ("FVTPL") (continued)**

As at 31 December 2019	Comparison to market price or fair value			Market price/ fair value VND
	Cost VND	Increase VND	Decrease VND	
Listed shares and shares traded on UPCoM		727,671,953	(40,449,172,332)	321,227,493,648
Unlisted and unregistered shares		-	(14,175,502,000)	4,833,498,000
Underlying assets designated as hedges for covered warrants	74,115,366,734	579,246,630	(1,387,917,964)	73,306,695,400
Listed bond	500,989,500,000	-	-	500,989,500,000
Unlisted bond	386,124,240,000	-	-	386,124,240,000
ETF certificates	149,232,571	2,205,029	-	151,437,600
<b>Total</b>	<b>1,341,336,333,332</b>	<b>1,309,123,612</b>	<b>(56,012,592,296)</b>	<b>1,286,632,864,648</b>
As at 31 December 2018	Comparison to market price or fair value			Market price/ fair value VND
Cost VND	Increase VND	Decrease VND		
Listed shares and shares traded on UPCoM		4,617,455,796	(41,300,520,641)	672,534,932,248
Unlisted and unregistered shares		-	(14,175,502,000)	22,377,138,000
Listed bond	81,450,161,318	-	-	81,450,161,318
Unlisted bond	1,000,000,000	-	-	1,000,000,000
ETF certificates	58,531,242,345	-	(1,053,533,705)	57,477,708,640
<b>Total</b>	<b>886,752,040,756</b>	<b>4,617,455,796</b>	<b>(56,529,556,346)</b>	<b>834,839,940,206</b>

**(b) Loans**

	<b>As at</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>VND</b>	<b>VND</b>
Margin loans (*)	4,680,997,147,954	3,143,086,409,319
Trading advances	15,716,184,040	118,928,433,925
<b>Total</b>	<b>4,696,713,331,994</b>	<b>3,262,014,843,244</b>

(\*) Securities purchased on margin are held by the Company as collaterals for margin loans. The market value of collateral assets as at 31 December 2019 was VND11,945,957,954,288 (as at 31 December 2018: VND12,620,681,071,110).

**3.3 Provision for impairments of financial assets and pledged assets**

	<b>As at</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>VND</b>	<b>VND</b>
Provision for impairments of loans	-	23.573.148.070

Movements in provision for impairments of financial assets and pledged assets during the year are as follows:

	<b>Year ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>VND</b>	<b>VND</b>
Opening balance	23,573,148,070	33,631,027,290
Reversal of provision	(23,573,148,070)	(10,057,879,220)
<b>Closing balance</b>	<b>-</b>	<b>23,573,148,070</b>

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

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**3 NOTES TO THE STATEMENT OF FINANCIAL POSITION** (continued)**3.4 Short-term receivables**

	As at 31.12.2019		Tại ngày 31.12.2018	
	Carrying value VND	Doubtful amount VND	Carrying value VND	Doubtful amount VND
<b>Service-related receivables</b>				
Receivable from securities purchasing (i)	313,839,645,938	-	555,238,957,303	-
Financial consultancy service fee receivables	1,292,650,000	1,145,650,000	2,455,150,000	1,145,650,000
Receivables from VSD	-	-	151,994,956,491	-
Other receivables from securities trading	2,994,227,613	-	32,882,491,554	-
	<b>318,126,523,551</b>	<b>1,145,650,000</b>	<b>742,571,555,348</b>	<b>1,145,650,000</b>
<b>Other receivables</b>				
Overdue margin loans (ii)	37,783,317,946	37,783,317,946	37,783,317,946	37,783,317,946
Bank interest receivables	40,903,315,045	-	12,913,689,042	-
Bonds interest receivables	19,521,519,660	-	-	-
Others	2,601,832,215	654,824,202	3,561,320,022	654,824,202
	<b>100,809,984,866</b>	<b>38,438,142,148</b>	<b>54,258,327,010</b>	<b>38,438,142,148</b>
<b>Total</b>	<b>418,936,508,417</b>	<b>39,583,792,148</b>	<b>796,829,882,358</b>	<b>39,583,792,148</b>

(i) This is receivable from institutional investors in relation to their purchases of securities. The market value of collateral assets as at 31 December 2019 was VND322,040,000,000 (as at 31 December 2018: VND560,919,280,200).

(ii) This is the residual amount of overdue margin loans after the Company forcibly sold all collateral assets to recover the loans. The Company has made full provision for these balances as at 31 December 2019 and as at 31 December 2018 (Note 3.5).

### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)

#### 3.5 Provision for doubtful debts

	Doubtful amount		Provision			
	Opening balance VND	Closing balance VND	Opening balance VND	Provision VND	Reversal VND	Closing balance VND
Overdue margin loans	37,783,317,946	37,783,317,946	37,783,317,946	-	-	37,783,317,946
Financial consultancy service fee receivables	1,145,650,000	1,145,650,000	1,145,650,000	-	-	1,145,650,000
Other receivables from securities trading	654,824,202	654,824,202	654,824,202	-	-	654,824,202
<b>Total</b>	<b>39,583,792,148</b>	<b>39,583,792,148</b>	<b>39,583,792,148</b>	<b>-</b>	<b>-</b>	<b>39,583,792,148</b>



**NOTES TO THE FINANCIAL STATEMENTS** (continued)

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**3 NOTES TO THE STATEMENT OF FINANCIAL POSITION** (continued)**3.6 Deposits for derivatives trading activities**

This is the Company's deposits for its proprietary derivatives trading activities in compliance with Decision No. 96/QĐ-VSD dated 23 March 2017 of the Vietnam Securities Depository.

**3.7 Fixed assets****(a) (a) Tangible fixed assets**

	Motor vehicle VND	Office equipment VND	Total VND
<b>Historical cost</b>			
As at 1.1.2019	4,009,883,640	69,779,779,796	73,789,663,436
New purchases	-	9,151,804,340	9,151,804,340
Transfers from construction in progress (Note 3.7(c))	-	4,835,153,510	4,835,153,510
Disposals	-	(1,487,823,917)	(1,487,823,917)
<b>As at 31.12.2019</b>	<b>4,009,883,640</b>	<b>82,278,913,729</b>	<b>86,288,797,369</b>
<b>Accumulated depreciation</b>			
As at 1.1.2019	2,469,951,269	47,254,195,045	49,724,146,314
Charge for the year	507,655,796	13,324,653,640	13,832,309,436
Disposals	-	(1,487,823,917)	(1,487,823,917)
<b>As at 31.12.2019</b>	<b>2,977,607,065</b>	<b>59,091,024,768</b>	<b>62,068,631,833</b>
<b>Net book value</b>			
As at 1.1.2019	1,539,932,371	22,525,584,751	24,065,517,122
<b>As at 31.12.2019</b>	<b>1,032,276,575</b>	<b>23,187,888,961</b>	<b>24,220,165,536</b>

Historical cost of fully depreciated tangible fixed assets but still in use as at 31 December 2019 was VND38,231,696,706 (as at 31 December 2018: VND36,110,470,869).

The Company had no tangible fixed assets awaiting disposal as at 31 December 2019.

As at 31 December 2019, the Company had no outstanding commitments to purchase/sale of tangible fixed assets.

**(b) Intangible fixed assets**

	<b>Computer software VND</b>
<b>Historical cost</b>	
As at 1.1.2019	64,392,294,363
New purchases	2,264,358,000
Transfers from construction in progress (Note 3.7(c))	2,933,475,655
<b>As at 31.12.2019</b>	<b>69,590,128,018</b>
<b>Accumulated amortisation</b>	
As at 1.1.2019	41,035,398,948
Charge for the year	10,885,464,778
<b>As at 31.12.2019</b>	<b>51,920,863,726</b>
<b>Net book value</b>	
As at 1.1.2019	23,356,895,415
<b>As at 31.12.2019</b>	<b>17,669,264,292</b>

Historical cost of fully amortised intangible fixed assets but still in use as at 31 December 2019 was VND29,835,153,028 (as at 31 December 2018: VND28,861,336,978).

The Company had no intangible fixed asset awaiting disposal as at 31 December 2019.

As at 31 December 2019, the Company had no outstanding commitments to purchase/sale of intangible fixed assets.

**(c) Construction in progress**

Construction in progress comprises the following:

	<b>As at</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>VND</b>	<b>VND</b>
Purchases of trading software	13,597,128,282	4,447,220,550

Movements in construction in progress during the year are as follows:

	<b>Year ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>VND</b>	<b>VND</b>
Opening balance	4,447,220,550	6,851,041,776
Increase	16,918,536,897	4,687,301,337
Transfer to tangible fixed assets (Note 3.7(a))	(4,835,153,510)	(894,311,990)
Transfer to intangible fixed assets (Note 3.7(b))	(2,933,475,655)	(6,196,810,573)
<b>Closing balance</b>	<b>13,597,128,282</b>	<b>4,447,220,550</b>

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

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**3 NOTES TO THE STATEMENT OF FINANCIAL POSITION** *(continued)***3.8 Long-term prepaid expenses**

	As at	
	31.12.2019 VND	31.12.2018 VND
Office rentals	86,870,726,211	89,703,467,288
Office renovations	6,674,971,837	5,803,432,315
Consulting fee	5,090,746,989	-
IT costs	2,319,039,745	4,666,659,325
<b>Total</b>	<b>100,955,484,782</b>	<b>100,173,558,928</b>

**3.9 Deposits in the Settlement support fund**

According to Decision No. 45/QĐ-VSD dated 22 May 2014 issued by the Vietnam Securities Depository, the Company is required to deposit an initial amount of VND120 million at the Vietnam Securities Depository and an additional annual contribution equivalent to 0.01% of the total value of brokered securities in the previous year up to the maximum limit of VND2.5 billion in any one year. The maximum amount of contribution is VND20 billion.

As at 31 December 2019 and as at 31 December 2018, the Company fully contributed the maximum amount.

**3.10 Deposits in the Derivatives trading clearing fund**

According to the Policy on Management and Use of Derivatives trading clearing fund issued in conjunction with Decision No. 97/QĐ-VSD dated 23 March 2017 by the Vietnam Securities Depository, the minimum amount of initial contribution applicable to direct clearing members is VND10 billion.

### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)

#### 3.11 Borrowings and issued bonds

Details of movements in borrowings and issued bonds during the year are as follows:

	Interest % per annum	Opening balance VND	Disbursement VND	Repayment VND	Closing balance VND
<b>Short-term borrowings (i)</b>					
Local bank borrowings	4.0 – 8.0	1,350,000,000,000	13,742,400,000,000	(13,873,400,000,000)	1,219,000,000,000
Foreign bank borrowings (*), (**)	LIBOR+2	-	1,159,975,000,000	-	1,159,975,000,000
Bank overdrafts		204,132,323,195	16,102,145,032,398	(16,291,525,120,338)	14,752,235,255
		<b>1,554,132,323,195</b>	<b>31,004,520,032,398</b>	<b>(30,164,925,120,338)</b>	<b>2,393,727,235,255</b>
<b>Issued bonds</b>					
Private issue in accordance with Resolution No. 10/2018 (ii)	7.0	150,000,000,000	-	(150,000,000,000)	-
		<b>150,000,000,000</b>	<b>-</b>	<b>(150,000,000,000)</b>	<b>-</b>
<b>Total</b>		<b>1,704,132,323,195</b>	<b>31,004,520,032,398</b>	<b>(30,314,925,120,338)</b>	<b>2,393,727,235,255</b>

(i) Short-term borrowings have maturities from 1 month to 364 days and are used to supplement working capital. Value of short-term collateral assets for these borrowings as at 31 December 2019 was VND5,076,066,048,263 (as at 31 December 2018: VND 4,019,260,933,454).

(\*) The loan interest rate is floating at the reference interest rate plus a margin of 2% per annum. The reference rate is the London Interbank Offered Rate ("LIBOR") for United States Dollar ("USD") of equivalent term quoted at 10:00 am (London local time) on interest calculation date. In case the LIBOR for USD of equivalent term is not available, the reference interest rate will be the LIBOR for USD converted to the same loan term at the same quoted time mentioned above ("the converted interest rate"). In case the converted interest rate is indeterminable, the reference rate will be the mobilising interest rate of each lender.

(\*\*) Borrowings from foreign banks are denominated in United States Dollar. The Company hedged the foreign exchange rate risk on 50% of the outstanding balances by entering dual-currency interest rate swap contracts with local commercial banks. The swap term is the equivalent of the borrowing term.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 december 2019

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**3 NOTES TO THE STATEMENT OF FINANCIAL POSITION** *(continued)***3.11 Borrowings and issued bonds** *(continued)*

- (i) These are bonds issued according to the Board of Directors' Resolution No. 10/2018/NQ-HĐQT dated 12 April 2018, details are as follows:
- Type of bond: unlisted bond, non-convertible and unsecured
  - Issue price: at par value VND1 billion/bond
  - Coupon rate: 7% - 8.15% per annum. The coupon rate is fixed for maximum first 6 months, then subject to negotiation between the Company and bondholders but shall not exceed 10% per annum.
  - Maturity: 2 years
  - Early termination: after fixed-coupon period, both the Company and the bondholders reserve the right to redeem/call the issued bonds before their maturities, whether in full in part. Interest rate in such cases shall be applied in accordance with the bonds' terms and conditions and applicable contractual documents.
  - Repayment: principals and interests are repaid once at maturity.
  - Designated bondholders: investment funds

The Company had no borrowings from related parties as at 31 December 2019 and as at 31 December 2018.

As at 31 December 2019 and 31 December 2018, there was no balance of borrowings that was past due but not yet settled.

As at 31 December 2019 and 31 December 2018, there was no doubt on the Company's ability to repay these borrowings.

**3.12 Trading obligations**

	As at	
	31.12.2019 VND	31.12.2018 VND
Advances from investors for securities purchases	455,507,692,520	226,450,317,590
Covered warrant payables (Note 5.2)	14,266,498,303	-
Trading settlement balances with the stock exchanges	7,714,529,000	83,159,390,391
Payables to stock exchanges and VSD	6,478,153,144	6,026,789,270
Others	3,837,874,466	655,800
<b>Total</b>	<b>487,804,747,433</b>	<b>315,637,153,051</b>

As at 31 December 2019 and as at 31 December 2018, there were no payables past due but not yet settled.

As at 31 December 2019 and as at 31 December 2018, there was no doubt on the Company's ability to repay these balances.

### 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)

#### 3.13 Tax and other payables to the State

	As at 1.1.2019 VND	Incurred during the year VND	Paid during the year VND	As at 31.12.2019 VND
BIT – current	16,684,859,800	97,562,452,910	(90,420,756,280)	23,826,556,430
Personal income tax withheld and paid on behalf of investors	11,199,027,876	90,898,880,986	(94,422,920,240)	7,674,988,622
BIT withheld and paid on behalf of foreign institutions	3,250,876,181	46,652,073,886	(46,536,929,031)	3,366,021,036
Foreign contractor withholding tax	338,263,079	6,830,870,890	(6,525,788,665)	643,345,304
Personal income tax withheld and paid on behalf of employees	2,341,828,338	52,655,444,227	(52,743,206,523)	2,254,066,042
Value added tax	199,892,112	5,573,004,194	(5,600,531,695)	172,364,611
Business licence tax	-	12,000,000	(12,000,000)	-
<b>Total</b>	<b>34,014,747,386</b>	<b>300,184,727,093</b>	<b>(296,262,132,434)</b>	<b>37,937,342,045</b>



**NOTES TO THE FINANCIAL STATEMENTS** (continued)

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**3 NOTES TO THE STATEMENT OF FINANCIAL POSITION** (continued)**Short-term accrued expenses**

	As at	
	31.12.2019 VND	31.12.2018 VND
Allowance for working performance	35,000,000,000	45,000,000,000
Interest expenses	12,947,945,342	3,953,633,544
Others	8,750,384,920	9,396,348,291
<b>Total</b>	<b>56,698,330,262</b>	<b>58,349,981,835</b>

**3.15 Other short-term liabilities**

	As at	
	31.12.2019 VND	31.12.2018 VND
Dividends payable to shareholders	155,070,718,509	5,097,667,994
<i>Dividends of previous years (*)</i>	2,316,782,009	5,097,667,994
<i>1st dividends of the year 2019</i>	152,753,936,500	-
Additional shares issued	9,460,360,000	-
Business development expenses payables	6,062,313,897	19,288,313,897
Board of Directors' operating fund	3,274,017,325	901,542,042
Dividends paid on behalf	2,864,711,582	2,507,431,082
Others	8,111,085,656	3,676,114,043
<b>Total</b>	<b>184,843,206,969</b>	<b>31,471,069,058</b>

(\*) Some shareholders have not yet completed their dividend claim forms, as a result there were unpaid dividends as at the reporting dates.

Other than (\*), there were no payables past due but not yet settled.

As at 31 December 2019 and as at 31 December 2018, there was no doubt on the Company's ability to repay these balances.

### 3.16 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The offset amounts are as follows:

	As at	
	31.12.2019 VND	31.12.2018 VND
Deferred tax assets recoverable within 12 months	280,383,984	1,558,791,879
Deferred tax liabilities payable within 12 months	-	-
<b>Total</b>	<b>280,383,984</b>	<b>1,558,791,879</b>

The gross movements in deferred income tax, taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Year ended	
	31.12.2019 VND	31.12.2018 VND
Opening balance	1,558,791,879	(15,042,694,266)
Charged to profit or loss	(1,278,407,895)	(914,579,482)
Recognised directly in equity	-	17,516,065,627
<b>Closing balance</b>	<b>280,383,984</b>	<b>1,558,791,879</b>

Details of deferred income tax assets are as below:

	Tại ngày	
	31.12.2019 VND	31.12.2018 VND
Deductible temporary differences:		
<i>Provisions for impairment of overdue margin loans</i>	1.401.919.920	7.793.959.395
At tax rate of 20%:		
Deferred tax assets:	280.383.984	1.558.791.879

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

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**3 NOTES TO THE STATEMENT OF FINANCIAL POSITION** *(continued)***3.17 Owners' capital****(a) Number of shares**

	As at	
	31.12.2019	31.12.2018
Number of shares registered	305,882,263	129,756,758
Number of shares issued	305,882,263	129,756,758
Number of shares repurchased	(366,090)	(202,590)
<b>Number of shares in issue</b>	<b>305,516,173</b>	<b>129,554,168</b>

As at 31 December 2019 and as at 31 December 2018, all of the Company's shares are ordinary shares. Each ordinary share has a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividends as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets.

**(b) Movement of share capital**

	Ordinary shares
As at 1 January 2018	129,570,368
New shares issued	-
Treasury shares repurchased	(16,200)
As at 31 December 2018	<b>129,554,168</b>
New shares issued	176,125,505
Treasury shares repurchased	(163,500)
<b>As at 31 December 2019</b>	<b>305,516,173</b>

**3.18 Undistributed earnings**

	As at	
	31.12.2019	31.12.2018
	VND	VND
Realised post-tax profits	633,772,960,412	1,223,955,850,562
Unrealised losses	(48,293,141,097)	(51,912,100,550)
<b>Total</b>	<b>585,479,819,315</b>	<b>1,172,043,750,012</b>

**NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)****3.18 Undistributed earnings (continued)**

Movements in undistributed earnings during the year are as follows:

	As at 31.12.2018 VND	Profit for the year VND	Dividend declared VND	Appropriation to reserves VND	Capital increase from equity VND	As at 31.12.2019 VND
Realised post-tax profits	1,223,955,850,562	428,945,958,924	(398,627,555,700)	(87,162,701,873)	(533,338,591,501)	633,772,960,412
Unrealised (losses)/gains	(51,912,100,550)	3,618,959,453	-	-	-	(48,293,141,097)
<b>Undistributed earnings</b>	<b>1,172,043,750,012</b>	<b>432,564,918,377</b>	<b>(398,627,555,700)</b>	<b>(87,162,701,873)</b>	<b>(533,338,591,501)</b>	<b>585,479,819,315</b>

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

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**4 NOTES TO OFF STATEMENT OF FINANCIAL POSITION ITEMS****4.1 Bad debts written off**

	As at	
	31.12.2019	31.12.2018
	VND	VND
Other receivables	345,059,000	345,059,000

**4.2 Foreign currencies**

Included in cash and cash equivalents are balances held in foreign currencies (in original currency) as follows:

	As at	
	31.12.2019	31.12.2018
United States Dollar	1,899,62	5,176,74
Japanese Yen	241,915	241,915
Singapore Dollar	844	590
British Pound	1,594,70	100,00
New Taiwan Dollar	3,200	3,200
Canadian Dollar	100	100
Malaysian Ringgit	750	750

**4.3 Number of shares in issue**

	Tại ngày	
	31.12.2019	31.12.2018
<b>Ordinary shares</b>		
Quantity issued within 1 year (share)	176,125,505	-
Quantity issued for 1 year or more (share)	129,390,668	129,554,168
<b>Total</b>	<b>305,516,173</b>	<b>129,554,168</b>

#### 4 NOTES TO OFF STATEMENT OF FINANCIAL POSITION ITEMS (continued)

##### 4.4 Covered warrants authorised but not yet issued

Ticker symbol	Underlying security	Issuance	Maturity date	Number of covered warrants authorised for issue	Number of covered warrants issued	As at 31.12.2019	
						Number of covered warrants authorised but not yet issued	Number of covered warrants issued but not yet issued
FPT-HSC-MET01	FPT Corporation	08.10.2019	08.04.2020	5,000,000	2,580,050	2,419,950	-
MBB-HSC-MET02	Military Commercial Joint Stock Bank	08.10.2019	08.04.2020	5,000,000	4,781,620	218,380	-
MWG-HSC-MET02	Mobile World Investment Corporation	08.10.2019	08.04.2020	5,000,000	5,000,000	-	-
VNM-HSC-MET01	Vietnam Dairy Products Joint Stock Company	08.10.2019	08.04.2020	5,000,000	1,473,760	3,526,240	-
VRE-HSC-MET01	Vincom Retail Joint Stock Company	08.10.2019	08.04.2020	5,000,000	1,029,570	3,970,430	-
VNM-HSC-MET02	Vietnam Dairy Products Joint Stock Company	20.12.2019	22.06.2020	5,000,000	10,000	4,990,000	-
REE-HSC-MET01	Refrigeration Electrical Engineering Corporation	20.12.2019	22.06.2020	5,000,000	20,000	4,980,000	-
VPP-HSC-MET01	Vietnam Prosperity Joint-Stock Commercial Bank	20.12.2019	22.06.2020	5,000,000	-	5,000,000	-
TCB-HSC-MET01	Technological and Commercial Joint Stock Bank	20.12.2019	22.06.2020	5,000,000	-	5,000,000	-
MWG-HSC-MET03	Mobile World Investment Corporation	20.12.2019	22.06.2020	5,000,000	-	5,000,000	-
MBB-HSC-MET03	Military Commercial Joint Stock Bank	20.12.2019	22.06.2020	5,000,000	-	5,000,000	-
GMD-HSC-MET01	Gemadep Corporation	20.12.2019	22.06.2020	5,000,000	-	5,000,000	-
FPT-HSC-MET02	FPT Corporation	20.12.2019	22.06.2020	5,000,000	-	5,000,000	-
VRE-HSC-MET02	Vincom Retail Joint Stock Company	20.12.2019	22.06.2020	5,000,000	-	5,000,000	-
HPG-HSC-MET01	Hoa Phat Group Joint Stock Company	30.12.2019	30.06.2020	5,000,000	-	5,000,000	-
				<b>75,000,000</b>	<b>14,895,000</b>	<b>60,105,000</b>	

##### 4.5 Futures

Futures positions which are still open as at reporting date are as follows:

Contract symbol	First trading date	Last trading date	Open quantity	Closing settlement price	Open short position	As at 31.12.2018	
						Open quantity	Closing settlement price
VN30F2001	22/11/2019	16/01/2020	434	876,300	38,031,420,000	-	-
VN30F1901	16/11/2018	17/01/2019	-	-	-	6,642	855,000
						<b>38,031,420,000</b>	<b>567,891,000,000</b>



**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

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**5 NOTES TO THE STATEMENT OF FINANCIAL POSITION****5.1 Net realised gains on disposal of FVTPL financial assets and redemption/expiry of covered warrants**

	For the year ended	
	31.12.2019 VND	31.12.2018 VND
<b>Realised gains on disposal of FVTPL financial assets</b>	<b>390,930,734,954</b>	<b>858,463,794,818</b>
<i>In which:</i>		
<i>Underlying securities</i>	121,453,197,314	400,473,436,818
<i>Derivatives</i>	257,769,953,000	457,990,358,000
<i>Covered warrants redeemed</i>	7,075,212,520	-
<i>Covered warrants expired</i>	4,632,372,120	
<b>Realised losses on disposal of FVTPL financial assets</b>	<b>(300,506,423,395)</b>	<b>(662,889,080,398)</b>
<i>In which:</i>		
<i>Underlying securities</i>	(149,995,875,538)	(376,885,661,398)
<i>Derivatives</i>	(146,448,756,000)	(286,003,419,000)
<i>Covered warrants redeemed</i>	(4,061,791,857)	-
<b>Net realised gains</b>	<b>90,424,311,559</b>	<b>195,574,714,420</b>

## 5 NOTES TO THE STATEMENT OF FINANCIAL POSITION (continued)

### 5.1 Net realised gains on disposal of FVTPL financial assets and redemption/expiry of covered warrants (continued)

Details by category are as follows:

	Quantity disposed	Sales proceeds VND	Costs of disposal (*) VND	Realised (losses)/gains during the year VND	Realised gains in prior year VND
Shares	227,194,347	9,678,331,292,598	(9,692,777,915,283)	(14,446,622,685)	(3,897,537,952)
Bonds	8,285,674	844,450,384,439	(843,464,430,628)	985,953,811	226,357,847
ETF certificates	203,618,380	3,007,535,659,922	(3,021,826,478,824)	(14,290,818,902)	27,258,955,525
Covered warrants	2,075,390	12,415,342,460	(13,206,532,908)	(791,190,448)	-
Realised (losses)/gains on disposal of underlying securities	441,173,791	13,542,732,679,419	(13,571,275,357,643)	(28,542,678,224)	23,587,775,420
Net position gains from future contracts				111,321,197,000	171,986,939,000
Gain on redemption of covered warrants issued by the Company				3,013,420,663	-
Gain upon expiry of covered warrants issued by the Company				4,632,372,120	-
<b>Total</b>				<b>90,424,311,559</b>	<b>195,574,714,420</b>

(\*) Costs are determined using the weighted average method up to the end of trading dates.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 december 2019

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### 5 NOTES TO THE STATEMENT OF FINANCIAL POSITION *(continued)*

#### 5.2 Gains/(losses) from revaluation of FVTPL financial assets and covered warrants

	For the year ended	
	31.12.2019 VND	31.12.2018 VND
Decrease in revaluation gains of FVTPL financial assets	(3,308,332,184)	(35,012,239,201)
Increase on revaluation losses of FVTPL financial assets	516,964,050	12,772,740,741
<b>Total</b>	<b>(2,791,368,134)</b>	<b>(22,239,498,460)</b>

Details of gains/(losses) from revaluation of FVTPL financial assets by category are as follows:

	Cost		Market value/ fair value		Accumulated revaluation gains/ (losses) as at 31.12.2019		Accumulated revaluation gains/(losses) as at 31.12.2018		(Debited)/ credited to profit or loss of the statement of comprehensive income	
	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND
Listed shares and shares traded on UPCoM	360,948,994,027	321,227,493,648	(39,721,500,379)	(36,683,064,845)	(3,038,435,534)					
Unlisted and unregistered shares	19,009,000,000	4,833,498,000	(14,175,502,000)	(14,175,502,000)	-					
Underlying assets designated as hedges for covered warrants	74,115,366,734	73,306,695,400	(808,671,334)	(808,671,334)	(808,671,334)					(808,671,334)
Listed bond	500,989,500,000	500,989,500,000	-	-	-					-
Unlisted bonds	386,124,240,000	386,124,240,000	-	-	-					-
ETF certificates	149,232,571	151,437,600	2,205,029	(1,053,533,705)	1,055,738,734					
<b>Total</b>	<b>1,341,336,333,332</b>	<b>1,286,632,864,648</b>	<b>(54,703,468,684)</b>	<b>(51,912,100,550)</b>	<b>(2,791,368,134)</b>					

## 5 NOTES TO THE STATEMENT OF FINANCIAL POSITION *(continued)*

### 5.2 Gains/(losses) from revaluation of FVTPL financial assets and covered warrants *(continued)*

	For the year ended	
	31.12.2019 VND	31.12.2018 VND
Decrease in revaluation of covered warrants (income)	6,410,987,587	-
Increase on revaluation of covered warrants (expenses)	(660,000)	-
<b>Total</b>	<b>6,410,327,587</b>	<b>-</b>

Details of revaluation of covered warrants are as follows:

	Cost	Market value/ fair value	Accumulated revaluation as at 31.12.2019	Accumulated revaluation as at 31.12.2018	Credited to profit or loss
	VND	VND	VND	VND	VND
Covered warrants	20,676,825,890	14,266,498,303	(6,410,327,587)	-	(6,410,327,587)

### 5.3 Dividends and interest income from financial assets

	For the year ended	
	31.12.2019 VND	31.12.2018 VND
Dividends	10,302,309,634	4,462,800,106
Interest	118,107,556,142	100,545,887,776
<b>Total</b>	<b>128,409,865,776</b>	<b>105,008,687,882</b>

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 december 2019

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**5 NOTES TO THE STATEMENT OF FINANCIAL POSITION** (continued)**5.4 Provisions for doubtful debts, impairments of financial assets and diminution in value of mortgages and borrowing costs**

	For the year ended	
	31.12.2019 VND	31.12.2018 VND
Reversal of provision for impairment loss of financial assets and mortgages (Note 3.3)	(23,573,148,070)	(10,057,879,220)
Interest expense	137,256,059,537	165,938,942,394
	<b>113,682,911,467</b>	<b>155,881,063,174</b>

**5.5 Operating expenses not related to financial assets**

Operating expenses include direct expenses and allocated expenses, details are as follows:

	For the year ended	
	31.12.2019 VND	31.12.2018 VND
<b>Proprietary trading activities</b>	<b>78,706,309,030</b>	<b>87,578,216,751</b>
Staff costs	26,243,482,272	43,740,768,981
Office rental expenses	18,155,093,721	17,255,944,881
Outsourcing expenses	14,359,755,810	12,539,969,572
Depreciation and amortisation	4,993,112,230	4,003,700,653
Others	14,954,864,997	10,037,832,664
<b>Brokerage fee expenses</b>	<b>326,959,927,736</b>	<b>431,738,308,494</b>
Staff costs	151,614,817,242	216,628,440,378
Brokerage fee	103,580,531,255	158,121,138,021
Office rental expenses	24,544,758,019	21,008,010,567
Outsourcing expenses	20,783,113,209	17,141,395,804
Depreciation and amortisation	7,187,371,280	5,356,862,376
Others	19,249,336,731	13,482,461,348
<b>Custody service expenses</b>	<b>8,102,665,080</b>	<b>10,276,510,005</b>
Custody service	8,102,665,080	10,276,510,005
Financial consultancy service expenses	16,242,652,044	21,555,635,774
Staff costs	16,242,652,044	21,398,146,776
Others	-	157,488,998
<b>Other operating expenses</b>	<b>455,955,784</b>	<b>1,395,644,586</b>
Depreciation and amortisation	35,852,183	79,432,283
Others	420,103,601	1,316,212,303
	<b>430,467,509,674</b>	<b>552,544,315,610</b>

## 5.6 General and administration expenses

	For the year ended	
	31.12.2019 VND	31.12.2018 VND
Staff costs	110.653.787.607	100.543.567.890
Outsourcing expenses	32.497.259.578	21.123.606.179
Depreciation and amortisation	12.501.438.521	10.841.170.058
Office rental expenses	10.709.912.296	8.716.252.467
Office tools and supplies	1.775.449.633	1.578.940.324
Tax and other fees	538.352.181	759.745.067
Other administrative expenses	18.123.267.312	7.938.643.174
<b>Total</b>	<b>186.799.467.128</b>	<b>151.501.925.159</b>

## 5.7 BIT

The BIT on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate of 20% as follows:

	For the year ended	
	31.12.2019 VND	31.12.2018 VND
Accounting profit before tax	531,405,779,182	842,185,654,984
Tax calculated at a rate of 20%:	106,281,155,836	168,437,130,997
Adjustment:		
Non-taxable income	(7,689,671,031)	(2,904,135,865)
Non-deductible expenses	249,376,000	1,172,505,480
<b>BIT charge (*)</b>	<b>98,840,860,805</b>	<b>166,705,500,612</b>
Charged to profit or loss:		
BIT – current	97,562,452,910	165,790,921,130
BIT – deferred	1,278,407,895	914,579,482
<b>Total</b>	<b>98,840,860,805</b>	<b>166,705,500,612</b>

(\*) The BIT charge for the year is based on estimated taxable income and is subject to review and possible adjustment by the tax authorities.

The tax authorities have finalised the Company's corporate income tax up to 31 December 2016.



**NOTES TO THE FINANCIAL STATEMENTS** (continued)

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**5 NOTES TO THE STATEMENT OF FINANCIAL POSITION** (continued)**5.8 Earnings per share****(a) Basic earnings per share**

According to prevailing regulations, basic earnings per share are calculated by dividing the net profit attributable to shareholders after deducting the appropriations to bonus and welfare funds by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Company and held as treasury shares.

Other comprehensive income is not included in earnings to calculate earnings per shares as such treatment is not guided by authority.

As at the date of approval of these financial statements, the resolution of Annual General Meeting of shareholders regarding the appropriations to bonus and welfare funds from post-tax profits of the current year was not yet available. Therefore, the net profit amount used for calculation of basic earnings per shares of the current year is not deducted by the amount to be appropriated to bonus and welfare funds. For comparability purpose, the corresponding amount of prior year was not deducted by the amounts appropriated to bonus and welfare funds, neither.

	For the year ended	
	31.12.2019	31.12.2018 Tính lại (*)
Net profit after tax attributable to ordinary shareholders (VND)	432,564,918,377	675,480,154,372
Weighted average number of ordinary shares in issue (shares)	270,966,767	215,934,925
Basic earnings per share (VND/share)	1,596	3,128

(\*) Basic earnings per share for the year ended 31 December 2018 was restated to reflect the impact of capital increase from equity in May 2019 (Note 7.1(iii)) on weighted average number of shares in issue, in particular:

Items	For the year ended 31.12.2018		
	Previously reported	Adjustment	Restated
Net profit after tax attributable to ordinary shareholders (VND)	675,480,154,372	-	675,480,154,372
Weighted average number of ordinary shares in issue (shares)	129,561,679	86,373,246	215,934,925
Weighted average number of ordinary shares in issue (shares)	5,214		3,128

## 5 NOTES TO THE STATEMENT OF FINANCIAL POSITION *(continued)*

### 5.8 Earnings per share *(continued)*

#### (a) Basic earnings per share *(continued)*

If the basic earnings per share for the fiscal year ended 31 December 2018 is recalculated after adjusting the net appropriation of bonus and welfare fund from retained earnings in accordance with the Resolution of the General Meeting of Shareholders No. 01/2019/NQ-ĐHĐCĐ April 25, 2019, the figures will be changed as follows:

Items	For the year ended 31.12.2018		
	Restated figure after adjusting the number of shares	Adjustment due to appropriation to bonus and welfare fund	Restated if deducting amount appropriated to bonus and welfare funds
Net profit after tax attributable to ordinary shareholders (VND)	675,480,154,372	(43,906,210,035)	631,573,944,337
Weighted average number of ordinary shares in issue (shares)	215,934,925		215,934,925
Basic earnings per share (VND/share)	3,128		2,925

#### (b) Diluted earnings per share

The Company did not have potentially diluted ordinary shares during the year.

## 6 NOTES TO THE STATEMENT OF CASH FLOWS

### 6.1 Major non-cash transactions affecting the statement of cash flows

	For the year ended	
	31.12.2019 VND	31.12.2018 VND
Dividend declared but not yet paid (Note 3.15)	155,070,718,509	5,097,667,994
Capital increase from equity		
<i>Appropriation from share premium</i>	330,426,798,499	-
<i>Appropriation from undistributed earnings</i>	533,338,591,501	-
<i>Appropriation to bonus and welfare funds</i>	34,004,250,000	-

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 december 2019

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**6 NOTES TO THE STATEMENT OF CASH FLOWS** (continued)**6.2 Proceeds from share issuances**

	Non-cash transactions				Net proceeds from issuance of shares VND
	Issued amount VND	Appropriation from share premium VND	Appropriation from undistributed earnings VND	Appropriation from bonus and welfare funds VND	
Capital increase from equity (Note 7.1(iii))	863,682,390,000	(330,343,798,499)	(533,338,591,501)	-	-
Share issue under ESOP program (Note 7.1(iv))	90,678,000,000	-	-	(34,004,250,000)	56,673,750,000
Share issue to existing shareholders (Note 7.1(v))	1,165,923,724,000	-	-	-	1,165,923,724,000
Issuance fee	-	(83,000,000)	-	-	(83,000,000)
<b>Total</b>	<b>2,120,284,114,000</b>	<b>(330,426,798,499)</b>	<b>(533,338,591,501)</b>	<b>(34,004,250,000)</b>	<b>1,222,514,474,000</b>

**6.3 Proceeds from borrowings**

Proceeds from borrowings are bank overdrafts, loan drawdowns and proceeds from issuance of short-term bonds (Note 3.11).

**6.4 Repayments of principals of borrowings**

Repayments of borrowings are bank overdrafts repayments, loan repayments and bonds repayments (Note 3.11).

## 7 NOTES TO THE STATEMENT OF CHANGES IN EQUITY

### 7.1 Details of changes in equity

	Share capital VND	Share premium VND	Treasury shares VND	Supplementary capital reserve VND	Financial risk and operation reserve VND	Other equity funds VND	Undistributed earnings VND	Total VND
As at 1:1.2019	1,297,567,580,000	330,343,798,499	(2,893,857,008)	129,756,758,000	129,756,758,000	3,961,374,994	1,172,043,750,012	3,060,536,162,497
Post-tax profit for the year	-	-	-	-	-	-	432,564,918,377	432,564,918,377
Final dividend of the year 2018 (i)	-	-	-	-	-	-	(245,873,619,200)	(245,873,619,200)
First dividend of the year 2019 (ii)	-	-	-	-	-	-	(152,753,936,500)	(152,753,936,500)
Appropriation to bonus and welfare funds (i)	-	-	-	-	-	-	(33,774,007,719)	(33,774,007,719)
Appropriation to operation fund of Board of Directors (i)	-	-	-	-	-	-	(10,132,202,316)	(10,132,202,316)
Appropriation to statutory reserves	-	-	-	21,628,245,919	21,628,245,919	-	(43,256,491,838)	-
Capital increase from equity (iii)	863,682,390,000	(330,343,798,499)	-	-	-	-	(533,338,591,501)	-
Issue under ESOP 2018 program (iv)	64,770,000,000	25,908,000,000	-	-	-	-	-	90,678,000,000
New shares issue (v)	832,802,660,000	333,121,064,000	-	-	-	-	-	1,165,923,724,000
Issuance fee	-	(83,000,000)	-	-	-	-	-	(83,000,000)
Share repurchases	-	-	(2,943,000,000)	-	-	-	-	(2,943,000,000)
<b>As at 31.12.2019</b>	<b>3,058,822,630,000</b>	<b>358,946,064,000</b>	<b>(5,836,857,008)</b>	<b>151,385,003,919</b>	<b>151,385,003,919</b>	<b>3,961,374,994</b>	<b>585,479,819,315</b>	<b>4,304,143,039,139</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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### 7 NOTES TO THE STATEMENT OF CHANGES IN EQUITY *(continued)*

#### 7.1 Details of changes in equity *(continued)*

	Share capital		Share premium		Treasury shares		Revaluation reserve		Supplementary capital reserve		Financial risk and operation reserve		Other equity funds		Undistributed earnings		Total	
	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND
As at 1.1.2018	1,297,567,580,000	330,343,798,499	(2,602,257,008)	70,064,262,508	129,756,758,000	129,756,758,000	3,961,374,994	832,312,877,270	2,791,161,152,263									
Post-tax profit for the year	-	-	-	-	-	-	-	675,480,154,372	675,480,154,372									
Appropriation to bonus and welfare funds (vi)	-	-	-	-	-	-	-	(55,405,916,374)	(55,405,916,374)									
Appropriation to operation fund of Board of Directors (vi)	-	-	-	-	-	-	-	(8,310,887,456)	(8,310,887,456)									
Final dividend of the year 2017 (vi)	-	-	-	-	-	-	-	(194,299,977,000)	(194,299,977,000)									
Share repurchases	-	-	(291,600,000)	-	-	-	-	-	(291,600,000)									
Reclassification to profit or loss upon disposal	-	-	-	(70,064,262,508)	-	-	-	-	(70,064,262,508)									
Dividend declared for the year 2018 (vii)	-	-	-	-	-	-	-	-	(77,732,500,800)									
As at 31.12.2018	1,297,567,580,000	330,343,798,499	(2,893,857,008)	-	129,756,758,000	129,756,758,000	3,961,374,994	1,172,043,750,012	3,060,536,162,497									

(i) According to the Resolution of the Annual General Meeting of shareholders on 25 April 2019:

- 5% of post-tax profit for the year 2018 was appropriated to bonus and welfare funds;
- 1.5% of post-tax profit for the year 2018 was appropriated to operation fund of Board of Directors;
- Final dividend of the year 2018 was 19% of chartered capital of VND1,297,567,580,000, equivalent to VND1,900/share.
- Planned dividend of the year 2019 was 15% of par value, equivalent to VND1,500/share.

(ii) According to the Resolution of the Board of Directors on 11 November 2019, the first dividend of the year 2019 was 5% of charter capital of VND3,058,822,630,000, equivalent to VND500/share. The first dividend of 2019 is paid in cash based on the list of shareholders finalised on 20 December 2019, and the expected payment date is 10 January 2020 (Note 6.1).

- (iii) According to the Shareholders' Resolution No. 02/2018/NQ-ĐHCĐ dated 22 October 2018, shareholders voted and approved the capital increase from equity at a ratio of 3 : 2 (a shareholder owing 3 shares as at closing date is entitled to 2 new shares). Number of shares entitled would be round down to the unit so that the decimal fraction would be cancelled. Pursuantly, the Company had issued 86,368,239 additional shares based on the shareholders list as of 21 February 2019.
- (iv) Following the Shareholders' Resolution No. 02/2018/NQ-ĐHCĐ dated 22 October 2018 approving employee stock option plan issuance, the Board of Directors issued its resolution No. 23/2018/NQ-HĐQT dated 22 October 2018 to define criteria of eligible employees, principles to determine number of shares allotted to each eligible employee, implementation time, and policies of the program (ESOP 2018). Accordingly the Company had issued 6,477,000 ordinary shares on 6 May 2019 at VND14,000/share. Total issuance value was VND90,678,000,000, in which appropriation from bonus and welfare fund was VND34,000,250,000 and employees' contributions was VND56,673,750,000. The Company had recognised difference between issue price of VND14,000 and par value of VND10,000 to share premium. These shares are restricted from transfer in accordance with the ESOP 2018 Policy approved by the Board of Directors.
- (v) According to the Shareholders' Resolution No. 02/2018/NQ-ĐHCĐ dated 22 October 2018, shareholders voted and approved the share issuance to existing shareholders at VND14,000/share with a right ratio of 3 : 2 (a shareholder owning 3 shares is entitled to a right of take up 2 new shares). Number of rights entitled would be round down to the unit so that the decimal fraction would be cancelled. The right to take up new shares is transferrable only once. The Board of Directors was authorised to distribute remaining shares that not taken up to other investors at prices not lower than one offered to existing shareholders. Accordingly, the Company had issued 83,230,266 additional shares. The Company had recognised difference between issued price of VND14,000 and par value of VND10,000 to share premium. Except for 25,000,000 shares distributed to Ho Chi Minh City Finance and Investment State-owned Company (HFIC) which are restricted from transferring within 1 year (from 22 May 2019 to 21 May 2020), additional issued shares are not restricted from transferring.
- (vi) According to the Resolution of the Annual General Meeting of shareholders on 26 April 2018:
- 10% of post-tax profit for the year 2017 was appropriated to bonus and welfare funds;
  - 1.5% of post-tax profit for the year 2017 was appropriated to operation fund of Board of Directors;
  - Final dividend of the year 2017 was 15% of chartered capital of VND1,297,567,580,000, equivalent to VND1,500/share.
- (vii) According to authorisation of Annual General Meeting of Shareholders on 26 April 2018, on 15 November 2018, the Board of Directors had advanced the interim dividend of the year 2018 in cash at 6% of par value, equivalent to VND600/share.



**NOTES TO THE FINANCIAL STATEMENTS** (continued)

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**7.2 Distributed earnings**

	For the year ended	
	31.12.2019 VND	31.12.2018 VND
Undistributed earnings brought forward	1,223,955,850,562	861,985,479,360
Accumulated unrealised losses	(48,293,141,097)	(51,912,100,550)
Realised profit incurred in the year	428,945,958,924	697,719,652,832
Appropriations from undistributed earnings:	(620,501,293,374)	(63,716,803,830)
<i>To share capital</i>	(533,338,591,501)	-
<i>To bonus and welfare funds</i>	(33,774,007,719)	(55,405,916,374)
<i>To operation fund of Board of Directors</i>	(10,132,202,316)	(8,310,887,456)
<i>To supplementary capital reserve</i>	(21,628,245,919)	-
<i>To financial and operational risk reserve fund</i>	(21,628,245,919)	-
<b>Distributable profits</b>	<b>984,107,375,015</b>	<b>1,444,076,227,812</b>
Dividend declared	398,627,555,700	272,032,477,800
Income tax withheld	(2,756,753,675)	(1,412,458,875)
<b>Net amount distributed to shareholders</b>	<b>395,870,802,025</b>	<b>270,620,018,925</b>

**8 RELATED PARTIES DISCLOSURES**

During the year, the following significant transactions were carried out with related parties:

Related party	Relationship
Dragon Capital Markets Limited (DC)	Strategic shareholder, holding 29.96% of charter capital. The Company's Vice Chairman of the Board of Directors is a Director and member of Board of Directors of DC Group. The Company's member of the Board of Directors is a Director of DC Group. The Company's member of the Board of Directors is representative for DC's shares.
Ho Chi Minh City Finance and Investment State-owned Company (HFIC)	Strategic shareholder, holding 28.61% of charter capital. Two members of the Board of Directors are Deputy General Director and Head of Investment Department at HFIC.
Board of Directors and Board of Management	Key management

**(a) Related parties transactions**

During the year, the following significant transactions were carried out with related parties:

	<b>For the year ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>VND</b>	<b>VND</b>
<b>Dragon Capital Markets Limited (DC)</b>		
Brokerage service - sales	153,552,000,000	321,120,255,600
Brokerage fee income	-	240,840,192
Dividend paid	120,455,017,000	106,052,787,000
<b>Ho Chi Minh City Finance and Investment State-owned Company (HFIC)</b>		
Dividend paid	115,000,000,000	101,250,000,000
<b>Compensation of key management</b>		
Gross salaries and other benefits	32,097,803,791	32,037,000,957

**(b) Year-end balances with related parties**

	<b>As at</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>VND</b>	<b>VND</b>
<b>Dragon Capital Markets Limited (DC)</b>		
Cổ tức phải trả	45,825,278,000	-
<b>Ho Chi Minh City Finance and Investment State-owned Company (HFIC)</b>		
Dividend payable	43,750,000,000	-
Deposits for securities trading	25,083,088	25,007,904

**9 SEGMENT REPORTING**

The Board of Management of the Company determines that the management decisions of the Group are based primarily on the types of product and service provided by the Company. As a result, the primary segment reporting of the Company is presented in respect of the Company's business segments.

**(a) Geographical segments**

The principal activities of the Company are carried out within Vietnam territory. Risks and returns of the Company are not materially affected by distinctions between geographical areas. On these grounds, the Board of Management determines that the Company has only one geographical segment.

**(b) Business segments**

Brokerage and services segment generates revenues and incurs expenses related to securities brokerages, underwriting, agency, custody and other securities services.

Proprietary trading segment generates revenues and incurs expenses related to FVTPL financial assets and derivatives, and impairment losses of AFS financial assets.

Lending segment generates revenues and incurs expenses related to margin loans, trading advances and HTM financial assets.

Consultancy segment generates revenues and incurs expenses related to financial consultancy service and investment consultancy service.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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### 9 SEGMENT REPORTING *(continued)*

#### (b) Business activity segments *(continued)*

Income and expenses based on the Company's business activity segments are as follows:

	For the year ended 31 December 2019				Total VND
	Brokerage and services VND	Proprietary trading VND	Lending VND	Consultancy VND	
Revenue and income (*)					
Expenses	(335.518.548.600)	(378.696.428.375)	(113.682.911.467)	(16.242.652.044)	(844.140.540.486)
In which:					
Direct cash expenses	(289.476.046.959)	(363.411.776.852)	(137.256.059.537)	(16.242.652.044)	(806.386.535.392)
Total amount of significant non-cash expenses, other than depreciation, amortisation and allocation of prepaid expenses	-	516.304.050	23.573.148.070	-	24.089.452.120
Total depreciation and amortisation of fixed assets	(7.223.223.463)	(4.993.112.230)	-	-	(12.216.335.693)
Allocation of long-term and short- term prepaid expenses	(38.819.278.178)	(10.807.843.343)	-	-	(49.627.121.521)
<b>Segment result</b>	<b>152.552.424.784</b>	<b>143.746.827.758</b>	<b>382.306.032.169</b>	<b>37.385.218.418</b>	<b>715.990.503.129</b>
Net financial income					2.119.729.545
Net other income					95.013.636
General and administration expenses					(186.799.467.128)
Operating result					531.405.779.182

(\*) All of revenues are from services rendered to external customers, and all of income is generated from transactions with external partners.

## 9 SEGMENT REPORTING (continued)

### (b) Business activity segments (continued)

Income and expenses based on the Company's business activity segments are as follows:

	Năm tài chính kết thúc ngày 31 tháng 12 năm 2018					Total VND
	Brokerage and services VND	Proprietary trading VND	Lending VND	Consultancy VND		
Revenue and income (*)	779,075,139,587	928,460,243,499	523,064,352,711	119,216,643,588	2,349,816,379,385	
Expenses	(443,410,463,085)	(737,694,556,408)	(155,881,063,174)	(21,555,635,774)	(1,358,541,718,441)	
	In which:					
Direct cash expenses	(409,892,286,680)	(731,643,726,891)	(155,881,063,174)	(21,555,635,774)	(1,318,972,712,519)	
Total amount of significant non-cash expenses, other than depreciation, amortisation and allocation of prepaid expenses	-	12,772,740,741	-	-	12,772,740,741	
Total depreciation and amortisation of fixed assets	(5,436,294,659)	(4,003,700,653)	-	-	(9,439,995,312)	
Allocation of long-term and short- term prepaid expenses	(28,081,881,746)	(14,819,869,605)	-	-	(42,901,751,351)	
<b>Segment result</b>	<b>335,664,676,502</b>	<b>190,765,687,091</b>	<b>367,183,289,537</b>	<b>97,661,007,814</b>	<b>991,274,660,944</b>	
Net financial income					2,310,619,199	
Net other income					102,300,000	
General and administration expenses					(151,501,925,159)	
Operating result					842,185,654,984	

(\*) All of revenues are from services rendered to external customers, and all of income is generated from transactions with external partners.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 december 2019

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**9 SEGMENT REPORTING** (continued)**(b) Business activity segments** (continued)

Assets and liabilities based on the Company's business activity segments are as follows:

	As at 31 December 2019						Total
	Brokerage and services VND	Proprietary trading VND	Lending VND	Consultancy VND	Unallocated VND	VND	VND
Segment assets	458,588,685,137	1,296,946,396,115	5,666,824,853,957	2,426,071,426	-	7,424,786,006,635	
Unallocated assets	-	-	-	-	63,892,622,713	63,892,622,713	
<b>Total assets</b>	<b>458,588,685,137</b>	<b>1,296,946,396,115</b>	<b>5,666,824,853,957</b>	<b>2,426,071,426</b>	<b>63,892,622,713</b>	<b>7,488,678,629,348</b>	
Segment liabilities	(491,960,004,500)	-	(2,406,675,180,597)	-	-	(2,898,635,185,097)	
Unallocated liabilities	-	-	-	-	(285,900,405,112)	(285,900,405,112)	
<b>Total liabilities</b>	<b>(491,960,004,500)</b>	<b>-</b>	<b>(2,406,675,180,597)</b>	<b>-</b>	<b>(285,900,405,112)</b>	<b>(3,184,535,590,209)</b>	
Total expense incurred for purchases of fixed assets	8,700,714,965	-	-	62,480,000	10,421,596,540	19,184,791,505	
Segment assets	8,700,714,965	-	-	62,480,000	-	8,763,194,965	
Unallocated assets	-	-	-	-	10,421,596,540	10,421,596,540	

## 9 SEGMENT REPORTING (continued)

### (b) Business activity segments (continued)

As at 31 December 2018

	Brokerage and services VND	Proprietary trading VND	Lending VND	Consultancy VND	Unallocated VND	Total VND
Segment assets	871,838,164,168	965,722,873,111	3,375,423,227,786	3,531,711,189	-	5,216,515,976,254
Unallocated assets	-	-	-	-	39,789,350,927	39,789,350,927
<b>Total assets</b>	<b>871,838,164,168</b>	<b>965,722,873,111</b>	<b>3,375,423,227,786</b>	<b>3,531,711,189</b>	<b>39,789,350,927</b>	<b>5,256,305,327,181</b>
Segment liabilities	(328,500,415,674)	-	(1,708,085,956,739)	-	-	(2,036,586,372,413)
Unallocated liabilities	-	-	-	-	(159,182,792,271)	(159,182,792,271)
<b>Total liabilities</b>	<b>(328,500,415,674)</b>	<b>-</b>	<b>(1,708,085,956,739)</b>	<b>-</b>	<b>(159,182,792,271)</b>	<b>(2,195,769,164,684)</b>
Total expense incurred for purchases of fixed assets	16,605,178,370	4,191,641,551	-	153,780,000	8,746,117,620	29,696,717,541
Segment assets	16,605,178,370	4,191,641,551	-	153,780,000	-	20,950,599,921
Unallocated assets	-	-	-	-	8,746,117,620	8,746,117,620



**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

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**10 FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to financial risks including market risk, credit risk and liquidity risk. The Company's overall risk management strategy seeks to minimise the adverse effect of these risks on the Company's performance.

The Board of Management of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Company. The Board of Management establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Financial risk management is carried out by finance personnel. The finance personnel measure actual exposures against the limits set and prepare regular reports for the review of the Board of Management.

The information presented below is based on information received from the Board of Management.

**(a) Credit risk**

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company. It arises principally from cash at banks, financial assets, receivables and other assets.

The maximum exposure to credit risk equals to the total of carrying amounts of balances exposed to credit risk before provision, collateral held or other credit enhancements, in particular:

	<b>As at</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>VND</b>	<b>VND</b>
Cash at bank (Note 3.1)	837.260.689.806	117.117.216.438
Security deposits for covered warrants issued (Note 3.1)	69.000.000.000	-
Listed bonds (Note 3.2)	500.989.500.000	81.450.161.318
Unlisted bonds (Note 3.2)	386.124.240.000	1.000.000.000
Loans (Note 3.3)	4.696.713.331.994	3.262.014.843.244
Receivables (Note 3.4)	418.936.508.417	796.829.882.358
Deposit for derivatives trading activities	7.563.570.950	102.256.365.000
<b>Total credit risk exposure</b>	<b>6.916.587.841.167</b>	<b>4.360.668.468.358</b>

(i) *Balances with banks*

Balances with banks include demand deposits, term deposits and accrued interest.

All bank balances are placed with local credit institutions which have high creditworthiness or qualifying as clearing members. Balances with banks are continuously monitored by treasury function in compliance with the Company's policies and periodically reported to the Board of Management. Credit risk from balances with banks is assessed as low.

As at 31 December 2019 and as at 31 December 2018, there were no balance with banks that exceeds 15% of the Company's equity.

As at 31 December 2019 and as at 31 December 2018, there were no balance with banks that were past due nor impaired.

(ii) *FVTPL financial assets*

Debt securities in the Company's portfolio are unsecured bonds issued by low-risk issuers with bond issuance plan approved by the State Securities Commission. Investment appraisals related to debt securities are approved accordance with the Company's investment policies. Debt securities portfolio is continuously monitored by treasury function in compliance with the Company's policies and periodically reported to the Board of Management. Credit risk from debt securities is assessed as low.

As at 31 December 2019 and as at 31 December 2018, there were no debt security that exceeds 15% of the Company's equity.

As at 31 December 2019 and as at 31 December 2018, there were no debt security that were past due nor impaired.

(iii) *Trading advances and deposit for derivatives trading activities*

Trading advances are collected from VSD. Deposit for derivatives trading activities is also placed with this entity.

VSD is a state-owned entity and has no history of payment defaults.

VSD requires its members to deposit into the Settlement support fund and the Derivatives trading clearing fund to secure their trading obligations.

The securities companies may fulfil customers' securities trading orders only when the customers' balances maintain enough (100%) cash or securities and must carry out further steps to ensure payments prior to execution of the trades.

Credit risk from trading advances and deposit for derivatives trading activities is assessed as low.

As at 31 December 2019 and as at 31 December 2018, there were no balance with VSD that were past due nor impaired.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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### 10 FINANCIAL RISK MANAGEMENT *(continued)*

#### (a) Credit risk *(continued)*

##### (iv) Margin loans

Margin loans are secured by eligible securities listed on the stock exchanges. Under the prevailing regulations on margin lending, the loan limit is set at 50% of the eligible securities' value. Ineligible securities are defined by the stock exchanges on an ad-hoc basis. Eligible securities are approved and frequently updated by margin lending risk management function based on several criteria including volatility and liquidity.

Customer Services department is responsible for the continuous review of margin loan report which includes balances, collateral assets and margin maintenance ratio. When the margin maintenance ratio falls below 40% (regulated level: 30%), the system alerts and the Company makes margin calls. When the margin maintenance ratio falls below 30%, the Company forcibly sells out collateral assets to collect the loans.

The market value of collateral assets as at 31 December 2019 was VND11,945,957,954,288 (as at 31 December 2018 : VND12,620,681,071,110).

According to prevailing securities regulations, the margin loan limit applicable to a balance (for either an individual customer or an institution customer) is 3% of the securities company's equity. As at 31 December 2019 and as at 31 December 2018, there were no margin loan balance that exceeds 3% of the Company's equity.

##### (v) Receivables

Credit exposure is restricted by transacting with counterparties with high credit ratings and obtaining security where necessary.

As at 31 December 2019 and as at 31 December 2018, there were no receivable that exceeds 15% of the Company's equity.

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Analysis of credit quality of receivables as at reporting date is as follows:

	Past due and impaired	Past due but not impaired	Neither past due nor impaired	Total
	VND	VND	VND	VND
<b>As at 31.12.2019</b>				
Current	-	-	379.352.716.269	<b>379.352.716.269</b>
Overdue from 2 – 3 months	4.673.066.397	-	-	<b>4.673.066.397</b>
Overdue for more than 3 months	34.910.725.751	-	-	<b>34.910.725.751</b>
Provision made	(39.583.792.148)	-	-	<b>(39.583.792.148)</b>
<b>Net balance</b>	<b>-</b>	<b>-</b>	<b>379.352.716.269</b>	<b>379.352.716.269</b>
<b>As at 31.12.2018</b>				
Current	-	-	757.246.090.210	<b>757.246.090.210</b>
Overdue from 1 – 2 months	4.673.066.397	-	-	<b>4.673.066.397</b>
Overdue from 2 – 3 months	18.191.420.657	-	-	<b>18.191.420.657</b>
Overdue for more than 3 months	16.719.305.094	-	-	<b>16.719.305.094</b>
Provision made	(39.583.792.148)	-	-	<b>(39.583.792.148)</b>
<b>Net balance</b>	<b>-</b>	<b>-</b>	<b>757.246.090.210</b>	<b>757.246.090.210</b>

**(b) Market risk**

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate according to changes in market prices. The Company's market risks include interest rate risk and other price risk, such as share price risk.

The Company manages this risk through sensitivity analysis of variables that would impact its financial position and performance, diversification of its investment portfolio, critical appraisal of securities within limited exposures, and hedging where necessary.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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### 10 FINANCIAL RISK MANAGEMENT *(continued)*

#### (b) *Market risk (continued)*

##### ■ Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk mainly from its term deposits, loans and borrowings.

The Company manages this risk through analysis of market competition in order to obtain the most favourable interest rate for its intended operations while still staying within limited exposures.

The Company's term deposits, loans and borrowings are at fixed rates and due in short term, so interest rate risk is minimal.

Details of interest rates of corporate bonds and borrowings are presented in Note 3.2 and Note 3.11.

##### ■ Market price risk

Shares held by the Company, open position in futures and covered warrants are affected by market risk due to the uncertainty in the future value of these items. The Company manages its share price risk by setting up investment limits and hedging where necessary. The Investment Committee of the Company also takes part in appraisal and approval of investment in shares and issuance of covered warrants.

At 31 December 2019, had the prices of securities increased/decreased by 10% with all other variables being held constant (including tax rate), the Company's profit after tax for the year would have been higher/lower by VND98,746,795,708 (at 31 December 2018: higher/lower by VND21,355,915,216).

##### ■ Currency risk

Currency risk is the risk that the value of the Company's financial instruments will be affected by changes in exchange rates. The Company manages its currency risk by continuously monitoring of foreign exchange rates and thereby timely updating its forecast of cashflows in foreign currencies, and entering dual currencies swaps (Note 3.11).

The Company's operations are exposed to risk of certain currencies, mainly the United States Dollar ("USD").

The Company's currency exposure to the USD is as follows:

	Original currency USD		Equivalent to VND	
	2019	2018	2019	2018
<b>Financial assets</b>				
Cash	1,899,62	5,176,74	43,249,211	118,995,845
<b>Financial liabilities</b>				
Borrowings (unhedged amount)	(25,000,000,00)	-	(579,987,500,000)	-
<b>Net financial liabilities</b>	<b>(24,998,100,38)</b>	<b>5,176,74</b>	<b>(579,944,250,789)</b>	<b>118,995,845</b>
<b>Net currency exposure</b>	<b>(24,998,100,38)</b>	<b>5,176,74</b>	<b>(579,944,250,789)</b>	<b>118,995,845</b>

As at 31 December 2019, if the USD had strengthened/weakened by 10% (estimated % change in exchange rate) against the VND with all other variables being held constant, the Company's profit before tax profit for the year would have been lower/higher by VND46,395,540,063 respectively as a result of foreign exchange losses/gains on translation of USD-denominated financial instruments (as at 31 December 2018: lower/higher by VND 9,519,668 respectively).

(c) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty or fail to perform its financial obligations.

The Company's approach to managing liquidity risk is to ensure that it will always have sufficient reserves of cash to meet its liquidity requirements in both short term and long

The table below presents the Company's financial liabilities at contractual undiscounted cash flows falling due within 1 year:

	As at	
	31.12.2019 VND	31.12.2018 VND
Short-term borrowings (Note 3.11)	2,393,727,235,255	1,554,132,323,195
Short-term issued bonds (Note 3.11)	-	150,000,000,000
Trading obligations (Note 3.12)	487,804,747,433	315,637,153,051
Short-term trade account payables	1,046,316,763	3,466,914,332
Short-term accrued expenses (Note 3.14)	56,698,330,262	58,349,981,835
Other short-term payables (Note 3.15)	184,843,206,969	31,471,069,058
<b>Total financial liabilities</b>	<b>3,124,119,836,682</b>	<b>2,113,057,441,471</b>



**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

For the year ended 31 december 2019

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**10 FINANCIAL RISK MANAGEMENT** *(continued)***(d) Capital Adequacy Ratio**

Capital Adequacy Ratio ("CAR") is an indicator that measures the Company's financial safety and ability to meet its financial obligations and absorb certain losses resulting from risks arising during its business operation.

CAR is calculated and presented in the Company's monthly capital adequacy ratio report in accordance with Circular 87/2017/TT-BTC issued by the Ministry of Finance on 15 August 2017 ("Circular 87") effective from 10 October 2017, regulating requirements of capital adequacy ratio applicable to securities dealing institutions and sanctions imposed on non-compliance. According to Circular 87, the Company is required to maintain a prescribed minimum level of CAR of 180%.

As at 31 December 2019, the Company's CAR was 566% (as at 31 December 2018: 505%).

**11 OPERATING LEASE COMMITMENTS**

The Company currently rents offices under operating leases. The future minimum lease payments under non-cancellable operating lease contracts are as follows:

	As at	
	31.12.2019 VND	31.12.2018 VND
Within 1 year	22,406,759,219	25,771,977,761
Between 1 and 5 years	46,051,389,766	62,705,263,783
<b>Total minimum payments</b>	<b>68,458,148,985</b>	<b>88,477,241,544</b>

**12 CAPITAL COMMITMENTS**

Capital expenditure contracted for at the reporting date but not recognised in the financial statements was as follows:

	As at	
	31.12.2019 VND	31.12.2018 VND
Software purchases	5,991,400,000	431,164,420

### 13 VOLUME AND VALUE OF TRANSACTIONS DURING THE YEAR

	Volume of transactions during the year	Value of transactions during the year VND
<b>a) Of the Company</b>		
Shares	851,907,140	24,947,833,842,300
Bonds	189,913,707	20,539,367,842,484
Future contracts	59,525,520	167,818,203,200
Covered warrants	315,036	27,870,525,959,000
<b>b) Of Investors</b>		
Shares	6,155,787,787	136,450,748,423,320
Bonds	704,448,999	73,015,863,564,187
Future contracts	55,876,060	163,283,022,000
Covered warrants	3,871,561	341,880,668,688,000
	<b>8,021,645,810</b>	<b>625,036,109,544,491</b>

### 14 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation, in particular:

**(a) Statement of financial position**

For the year ended 31 December 2018

Code	ITEMS	Previously reported VND	Reclassification (*) VND	Reclassified VND
112	Financial assets at FVTPL	851,839,940,206	(17,000,000,000)	834,839,940,206
122	Other receivables	725,571,555,348	17,000,000,000	742,571,555,348

(\*) Reclassification of receivables from securities purchasing.

**(b) Statement of comprehensive income**

For the year ended 31 December 2018

Code	ITEMS	Previously reported VND	Reclassification (*) VND	Reclassified VND
26	Self-trading expenses	75,036,982,785	12,541,233,966	87,578,216,751
27	Brokerage fee expenses	414,598,167,005	17,140,141,489	431,738,308,494
32	Other operating expenses	1,139,112,140	256,532,446	1,395,644,586
<b>40</b>	<b>TOTAL OPERATING INCOME</b>	<b>1,328,603,810,540</b>	<b>29,937,907,901</b>	<b>1,358,541,718,441</b>
<b>62</b>	<b>GENERAL AND ADMINISTRATION EXPENSES</b>	<b>181,439,833,060</b>	<b>(29,937,907,901)</b>	<b>151,501,925,159</b>

(\*) Reclassification of expenses to conform to current year's allocation basis.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

For the year ended 31 december 2019

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**14** **COMPARATIVE FIGURES** (continued)**(c)** **Statement of cashflows**

For the year ended 31 December 2018

Code	ITEMS	Previously reported VND	Reclassification (* ) VND	Reclassified VND
31	(Increase)/decrease in FVTPL financial assets	(13,449,247,870)	17,000,000,000	3,550,752,130
37	Increase in service related receivables	(254,550,203,970)	(17,000,000,000)	(271,550,203,970)

(\*) Reclassification of receivables from securities purchasing.

**15** **SUBSEQUENT EVENTS**

Subsequent to the reporting date, the stock markets in the world in general and the Vietnam stock markets in particular have experienced substantial falls mainly due to the impact of the COVID-19 virus epidemic. The Board of Management performed a preliminary assessment of the overall impact of the situation on the Company's operations, as well as the recoverability of the carrying amount of assets, the fair value of its financial assets and its liabilities and initially concluded that the impact to the Company was insignificant in the foreseeable future. The Board of Management will continue to monitor the situation, take appropriate and timely actions to minimise any possible impacts.

The financial statements were approved by the Board of Management on 26 March 2020.



Le Thi Thuy Duong  
Preparer



Lam Huu Ho  
Chief Financial Officer



Trinh Hoai Giang  
Chief Executive Officer  
26 March 2020

## NETWORK

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