



Ho Chi Minh Securities Corporation

Financial Statements for the year ended
31 December 2007



**Ho Chi Minh Securities Corporation
Corporate Information**

**Business Registration
Certificate No.**

4103001573/GP

23 April 2003

The Business Registration Certificate was issued by the Ho Chi Minh City Department of Planning and Investment.

**Securities Operating
Licence No.**

11/UBCK-GPHDKD

29 April 2003

15/UBCK-GPHDLK

2 May 2003

74/UBCK-GP

27 September 2007

The Securities Operating Licence and updates were issued by the State Securities Commission of Vietnam.

Board of Directors

Ms. Ngo Kim Lien	Chairperson (from 30 June 2007)
Ms. Giao Thi Yen	Chairperson (until 30 June 2007)
Mr. Do Hung Viet	Vice Chairman
Mr. Le Anh Minh	Vice Chairman
Mr. Nguyen Quyet Chien	Member
Mr. Johan Nyvene	Member (From 30 June 2007)
Mr. Pham Nghiem Xuan Bac	Member
Mr. Nguyen Huu Thanh	Member
Mr. Hoang Dinh Thang	Member

Board of Management

Mr. Johan Nyvene	Chief Executive Officer (From 30 June 2007)
Mr. Nguyen Huu Nam	Chief Executive Officer (until 30 June 2007)
Mr. Trinh Hoai Giang	Deputy Chief Executive Officer (From 15 May 2007)
Mr. Pham Minh Phuong	Deputy Chief Executive Officer

Ho Chi Minh Head Office

Level 1-2-3, Capital Place Building
6 Thai Van Lung Street, District 1, Ho Chi Minh City
Vietnam

Auditors

KPMG Limited
Vietnam



KPMG Limited
10th Floor, Sun Wah Tower
115 Nguyen Hue Street
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The Socialist Republic of Vietnam

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REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders Ho Chi Minh Securities Corporation

Scope

We have audited the accompanying balance sheet of Ho Chi Minh Securities Corporation (“the Company”) as of 31 December 2007 and the related statements of income, changes in equity and cash flows for the year ended 31 December 2007, as set out on pages 4 to 37. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the prior year, prior to the restatements as explained in notes 32 and 33, were audited by another firm of auditors whose report dated 26 March 2007 expressed an unqualified opinion on the financial statements.

We conducted our audit in accordance with Vietnamese Standards on Auditing and International Standards on Auditing accepted in Vietnam. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ho Chi Minh Securities Corporation as of 31 December 2007 and the results of its operations and its cash flows for the year then ended in accordance with Decision No 99/2000/QD-BTC issued by the Ministry of Finance dated 13 June 2000 on the promulgation of accounting systems of securities companies, Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.



Without qualifying our opinion, we draw attention to Note 32 to the financial statements. During the year ended 31 December 2007 an error was discovered in the financial statements of the Company for the year ended 31 December 2006. The related corresponding figures for the year ended 31 December 2006 have been restated accordingly.

KPMG Limited

KPMG Limited

Vietnam

Investment Licence No: 863/GP

Audit Report No: 07-01-335



John T. Ditty

CPA No. N0555/KTV

General Director

Ho Chi Minh City, 11 APR 2008

Tran Dinh Vinh

Tran Dinh Vinh

CPA No.0339 /KTV

Ho Chi Minh Securities Corporation
Balance sheet at 31 December 2007

	Code	Note	2007 VND	2006 VND Restated
ASSETS				
A- CURRENT ASSETS AND SHORT-TERM INVESTMENTS	100		1,258,228,252,546	365,994,275,846
I. Cash and cash equivalents	110	4	581,787,772,199	122,703,886,332
Cash on hand	111		360,070,207	3,561,333,621
Cash in bank	112		525,068,874,756	78,171,818,808
Cash from customers relating to securities transactions	114		56,358,827,236	40,970,733,903
II. Short-term securities investments and other short-term investments	120		625,242,395,173	213,062,884,708
Trading securities	121	5	390,158,215,112	131,540,684,108
Short-term investments	123	6	267,166,238,600	81,522,200,600
Allowance for diminution in the value of trading securities and short-term investments	126		(32,082,058,539)	-
III. Accounts receivable	130		49,576,690,615	28,387,507,562
Prepayments to suppliers	134		-	457,800,000
Other receivables	137	7	49,576,690,615	27,929,707,562
IV. Other current assets	150		1,621,394,559	1,839,997,244
Advances	151		637,488,522	1,637,175,445
Prepaid expenses	152		983,906,037	134,481,799
Tools and supplies			-	68,340,000
B - FIXED ASSETS AND LONG - TERM INVESTMENTS	200		63,930,459,294	23,958,391,278
I. Fixed assets	210		6,185,293,113	2,624,085,495
Tangible fixed assets	211	8	5,725,174,348	2,341,242,254
Cost	212		8,178,303,094	3,676,126,870
Accumulated depreciation	213		(2,453,128,746)	(1,334,884,616)
Intangible fixed assets	217	9	460,118,765	282,843,241
Cost	218		1,510,854,020	572,614,615
Accumulated amortisation	219		(1,050,735,255)	(289,771,374)
II. Long-term securities investments and other long-term investments	220		45,834,206,793	19,362,660,873
Long-term securities investments	221	10	45,834,206,793	19,362,660,873
III. Construction in progress	230	11	3,576,409,109	-

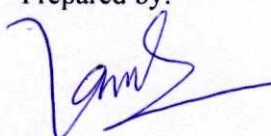
The notes set out on pages 12 to 37 form an integral part of these financial statements

Ho Chi Minh Securities Corporation
Balance sheet at 31 December 2007 (continued)

	Code	Note	2007 VND	2006 VND Restated
IV. Other long-term assets	240		8,334,550,279	1,971,644,910
Long-term deposits	241	12	1,076,094,904	510,589,500
Deposits at Payment Support Fund	242	13	186,024,720	186,024,720
Long-term prepayments	243	14	7,072,430,655	1,275,030,690
TOTAL ASSETS	250		1,322,158,711,840	389,952,667,124

Ho Chi Minh Securities Corporation
Balance sheet at 31 December 2007 (continued)

	Code	Note	2007 VND	2006 VND Restated
RESOURCES				
A- LIABILITIES	300		672,715,072,887	229,071,912,752
I. Current liabilities	310		672,315,072,887	229,071,912,752
Short-term loans			-	64,169,485,600
Payables to Vietnam Securities Depository Centre	315		47,679,968,030	-
Payables to suppliers	318		-	1,363,036,900
Advances from customers	319		6,018,167,828	879,774,875
Account Payable – trade			658,000,000	1,936,270,000
Taxes payable to State Treasury	323	15	11,646,142,058	9,074,604,825
Accrued expenses	325		5,681,085,561	2,484,576,840
Other payables	328	16	467,849,010,027	78,528,544,720
Deposits by customers	332		132,782,699,383	70,635,618,992
II. Long-term liabilities	340		400,000,000	-
Provision for severance allowance	342	17	400,000,000	-
B- EQUITY	400		649,443,638,953	160,880,754,372
I. Capital	410		200,000,000,000	100,000,000,000
Issued capital	412	18	200,000,000,000	100,000,000,000
II. Supplementary capital	420	19	236,099,785,000	5,275,000,000
Share premium	421		236,099,785,000	5,275,000,000
III. Reserves and retained profits	430	19	213,343,853,953	94,965,916,872
Statutory reserves	432		15,608,106,143	2,986,019,837
Retained profits	438		194,595,180,551	91,608,877,252
Bonus and welfare funds	439		3,140,567,259	371,019,783
IV. Adjustment capital	440		-	(39,360,162,500)
Treasury shares	443		-	(39,360,162,500)
TOTAL RESOURCES	450		1,322,158,711,840	389,952,667,124

Prepared by:

 Lam Huu Ho
 Chief Financial Officer



Approved by:

 Johan Nyvene
 Chief Executive Officer

11 APR 2008

The notes set out on pages 12 to 37 form an integral part of these financial statements

Ho Chi Minh Securities Corporation
Statement of income for the year ended 31 December 2007

PART I - PROFIT AND LOSS

	Code	Note	2007 VND	2006 VND Restated
Revenue from securities trading activities	01		224,705,757,363	114,712,545,802
Revenue from securities brokerage	02		32,835,148,535	7,133,457,555
Revenue from securities trading	03		168,372,368,484	98,092,044,429
Revenue from securities underwriting, issuance agency	05		131,327,129	154,053,608
Revenue from securities investment advisory	06		3,411,628,200	1,098,000,000
Revenue from securities custodian	07		-	15,000,000
Reversal from provision and accrued expenses	08		-	1,735,785,130
Revenue from operating capital	09	20	19,955,285,015	6,505,272,421
Less sales deductions			-	(21,067,341)
Income from investment activities	13		5,806,745,800	4,941,057,705
Net revenue from securities trading and investment activities	14		230,512,503,163	119,653,603,507
Expenses for securities trading activities	15	21	(41,141,309,776)	(2,711,207,550)
Gross profit	20		189,371,193,387	116,942,395,957
General and administration expenses	30	22	(41,215,229,790)	(15,601,684,620)
Net profit from securities trading and investment activities			148,155,963,597	101,340,711,337
Other income			869,539,364	508,369,545
Other expenses			(927,217,237)	(643,448,179)
Profit before tax	60		148,098,285,724	101,205,632,703
Corporate income tax - current	70	24	(15,953,137,742)	(9,596,755,451)
Corporate income tax - deferred	71	24	-	-
Net profit after tax	80		132,145,147,982	91,608,877,252
Earnings per share		31		
Basic earnings per share			10,718	15,500
Diluted earnings per share			4,087	15,500

The notes set out on pages 12 to 37 form an integral part of these financial statements

Ho Chi Minh Securities Corporation
Statement of income for the year ended 31 December 2007 (continued)

**PART II - STATEMENT OF AMOUNTS PAID AND PAYABLE
 TO THE STATE TREASURY**

	Code	Amounts brought forward VND Restated	Amounts provided VND	Amounts paid VND	Amounts carried forward VND
Taxes					
Value added tax		-	195,075,349	(195,075,349)	-
Corporate income tax	17	8,948,480,168	15,953,137,742	(15,917,552,290)	8,984,065,620
Withholding tax		-	2,252,147,180	-	2,252,147,180
Others	17	126,124,657	2,432,147,424	(2,148,342,823)	409,929,258
Total	21	9,074,604,825	20,832,507,695	(18,260,970,462)	11,646,142,058

Prepared by: 
 Lam Huu Ho
 Chief Financial Officer

Approved by: 
 Johan Nyvene
 Chief Executive Officer


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 CHỨNG KHOÁN
 TP. HỒ CHÍ MINH
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11 APR 2008

Ho Chi Minh Securities Corporation
Statement of change in equity for the year ended 31 December 2007

	Contributed capital VND	Treasury share VND	Share premium VND	Statutory reserves VND	Bonus and welfare funds VND	Retained profits VND	Total VND
Balance at 1 January 2006	50,000,000,000	(126,000,000)	2,375,000,000	1,938,943,383	36,721,783	7,869,463,866	62,094,129,032
Capital issued during the year	50,000,000,000	-	2,900,000,000	-	-	-	52,900,000,000
Net profit for the year (restated)	-	-	-	-	-	91,608,877,252	91,608,877,252
Transfer to reserves and funds	-	-	-	1,047,076,454	500,000,000	(1,547,076,454)	-
Utilisation of funds	-	-	-	-	(165,702,000)	-	(165,702,000)
Acquisition of treasury shares	-	(39,234,162,500)	-	-	-	-	(39,234,162,500)
Dividends	-	-	-	-	-	(6,322,387,412)	(6,322,387,412)
Balance at 1 January 2007	100,000,000,000	(39,360,162,500)	5,275,000,000	2,986,019,837	371,019,783	91,608,877,252	160,880,754,372
Capital issued during the year	100,000,000,000	-	230,824,785,000	-	-	-	330,824,785,000
Net profit for the year	-	-	-	-	-	132,145,147,982	132,145,147,982
Transfer to reserves and funds	-	-	-	12,622,086,306	4,573,219,676	(17,195,305,982)	-
Utilisation of funds	-	-	-	-	(1,803,672,200)	-	(1,803,672,200)
Re-issuance of treasury shares	-	39,360,162,500	-	-	-	17,239,837,500	56,600,000,000
Dividends	-	-	-	-	-	(29,110,556,078)	(29,110,556,078)
Other adjustments	-	-	-	-	-	(92,820,123)	(92,820,123)
Balance at 31 December 2007	200,000,000,000	-	236,099,785,000	15,608,106,143	3,140,567,259	194,595,180,551	649,443,638,953

Prepared by:

 Lam Huu Ho
 Chief Financial Officer

Approved by:

 Jolian Nyvene
 Chief Executive Officer



The notes set out on pages 12 to 37 form an integral part of these financial statements

Ho Chi Minh Securities Corporation
Statement of cash flow for the year ended 31 December 2007

	Code	Note	2007 VND	2006 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		148,098,285,724	101,205,632,703
<i>Adjustment for</i>				
Depreciation and amortisation	02		4,926,221,270	769,330,673
Allowances and provisions	03		32,482,058,539	(827,675,946)
Write-off fixed assets			159,381,375	270,157,268
Loss/(gain) from disposal of fixed assets			47,677,873	(135,078,634)
Dividend income			(5,740,230,800)	(4,941,057,705)
Operating profit before changes in working capital			179,973,393,981	96,341,308,359
Increase in trading securities receivables and other current assets	21		(465,213,245,172)	(65,340,324,182)
Increase in payables and other liabilities	23		503,384,151,764	115,841,553,554
Dividend paid			(25,117,647,559)	(7,503,329,300)
Tax paid			(15,917,552,290)	(617,572,775)
Utilisation of funds			(1,803,672,200)	(165,702,000)
Other payments for operating activities			(92,820,123)	-
Net cash generated from operating activities	40		175,212,608,401	138,555,933,656
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets	41		(6,514,090,889)	(2,181,584,621)
Payments for additions to construction in progress			(3,576,409,109)	-
Payment for long-term prepayment			(8,587,610,502)	(1,275,030,690)
Proceed from disposal fixed assets			590,909,090	508,369,545
Payments for long-term investments			(27,037,051,324)	(16,308,083,588)
Dividend income			5,740,230,800	4,941,057,705
Net cash used in investing activities	50		(39,384,021,934)	(14,315,271,649)

The notes set out on pages 12 to 37 form an integral part of these financial statements

Ho Chi Minh Securities Corporation
Statement of cash flow for the year ended 31 December 2007 (continued)

	Code	Note	2007 VND	2006 VND
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from share issuance			330,824,785,000	52,900,000,000
Acquisition of treasury shares			-	(39,360,162,500)
Proceeds from re-issuance of treasury shares			56,600,000,000	-
Proceeds from short-term borrowings			247,795,939,000	-
Payments to settle short-term borrowings			(311,965,424,600)	(33,095,394,400)
Net cash generated from financing activities	60		323,255,299,400	(19,555,556,900)
Net cash flows during the period	70		459,083,885,867	104,685,105,107
Cash and cash equivalents at the beginning of the period	80		122,703,886,332	18,018,781,225
Cash and cash equivalents at the end of the period	90	4	581,787,772,199	122,703,886,332

Prepared by: 
Lam Huu Ho
Chief Financial Officer

Approved by: 
Johan Nyvene
Chief Executive Officer



Ho Chi Minh Securities Corporation
Notes to the financial statements for the year ended 31 December 2007

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Principal activities

The principal activities of Ho Chi Minh Securities Corporation (“the Company”), which is incorporated as a joint stock company in Vietnam, are to conduct securities brokerage activities, securities dealing activities, securities investment advisory and securities custodian services under Securities Operating Licence No. 11/UBCK-GPHDKD dated 29 April 2003 and revised on 2 May 2003 and 27 September 2007 issued by the State Securities Commission of Vietnam (referred to as “the Securities Operating Licence”).

The total share capital amount of the Company, as stipulated in the Securities Operating Licence, is VND200 billion.

As at 31 December 2007 the Company had 123 employees (31 December 2006: 60).

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Company in the preparation of these financial statements.

(a) Basis of financial statement preparation

The financial statements, expressed in Vietnam Dong (“VND”), have been prepared in accordance with Decision No. 99/2000/QD-BTC issued by the Ministry of Finance on 13 June 2000 on the accounting system of securities companies, Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

The financial statements are prepared on the historical cost basis.

(b) Fiscal year

The fiscal year of the Company is from 1 January to 31 December.

Ho Chi Minh Securities Corporation
Notes to the financial statements for the year ended 31 December 2007 (continued)

(c) Segment reporting

The principal activities of the Company are to conduct securities brokerage activities, securities dealing activities, securities investment advisory and securities custodian services. The Company's primary format for segment reporting is based on the Company's core business segment including brokerage, investment and investment advisory. The Company does not report geographical segmental information as majority of its activities are in Vietnam.

(d) Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at rates of exchange ruling at the balance sheet date. Transactions in currencies other than VND during the year have been translated into VND at rates approximating those ruling at the transaction dates.

All realised and unrealised foreign exchange differences are recorded in the statement of income.

(e) Cash and cash equivalents

Cash comprises cash balances, cash in transit, current and short-term deposits with the original terms to maturity of no longer than three months.

(f) Trading securities, short-term and long-term investments

(i) Classification

The Company classifies its listed shares and unlisted shares which are purchased for trading purpose as trading securities. This classification is consistent with the objective of the Company, which is to purchase listed and unlisted shares and then sell in such a way that it receives the highest possible price within a short period of time. Other long-term investments which are intended to be held for more than one year (although the actual holding period may be longer or shorter depending on the post-acquisition performance of investees, and other circumstances) are classified as other long-term investments.

(ii) Recognition

The Company recognises trading securities, short-term investments and other long-term investments on the date it becomes a party to the contractual provisions of the investments.

Ho Chi Minh Securities Corporation

Notes to the financial statements for the year ended 31 December 2007 (continued)

(iii) Measurement

Trading securities are stated at cost less allowance for diminution in value by reference to market prices of securities from the Ho Chi Minh City Stock Exchange, and Hanoi Securities Trading Centre and brokers' quotes on the balance sheet date.

Short-term investments, which primarily consist of short-term loans to third parties, are stated at cost less allowance for doubtful debts, if any.

Other long-term investments are stated at cost, less any allowance for diminution considered necessary by the directors. The directors determine the diminution allowance after giving consideration to cost, market conditions, current and projected operating performance and expected cash flows.

The allowance for diminution of trading securities, short-term investments and other long-term investments as mentioned above is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the allowance was recognised. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

Securities purchased under agreements to resell (reverse securities repurchase agreements) are reported not as purchases of the securities, but as receivables and are carried in the balance sheet at cost. Interest earned on these agreements is recognised as interest income over the life of each agreement on an accrual basis.

Cash advances under agreements to purchase securities in the future are reported as receivables and are carried in the balance sheet at cost less allowance for doubtful debts. Interest earned on these agreements is recognised as interest income over the life of each agreement on an accrual basis.

(iv) Derecognition

Trading securities, short-term and other long-term investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Cost of trading securities is determined on a weighted average basis.

(g) Accounts receivable

Trade and other receivables are stated at cost less allowance for doubtful debts.

Ho Chi Minh Securities Corporation
Notes to the financial statements for the year ended 31 December 2007 (continued)

(h) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditures are capitalised as an additional cost of tangible fixed assets.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

- machinery and equipment 3 - 5 years
- motor vehicles 6 years

(i) Intangible fixed assets

Software

Cost of acquisition of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software is amortised on a straight-line basis over 3 – 4 years.

(j) Construction in progress

Construction in progress represents the cost of construction/installation which has not been fully completed. No depreciation is provided for construction in progress during the period of construction/installation.

(k) Long term prepayments

Cost directly related to future periods, which do not qualify to be recognised as fixed assets, are recorded as long term prepayments and amortised to statement of income over one to three years.

Ho Chi Minh Securities Corporation
Notes to the financial statements for the year ended 31 December 2007 (continued)

(l) Trade and other payables

Trade and other payables are stated at their cost.

(m) Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous period.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(ii) Share premium

On receipt of capital from shareholders, the difference between the issued price and the par value of the shares is credited to the share premium account in equity.

(iii) Treasury shares

When share capital recognised as equity is purchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When repurchased shares are reissued, the difference between the reissued price and the purchase price is recorded in retained earnings.

Ho Chi Minh Securities Corporation

Notes to the financial statements for the year ended 31 December 2007 (continued)

(o) Statutory reserves and bonus and welfare funds

Reserve to supplement share capital is calculated based on the profits after tax. The purpose of this reserve is to supplement share capital.

Financial reserve is allocated from profit after tax and is to cover losses incurred during the normal course of business. This reserve together with the reserve to supplement share capital is required by law and is non-distributable.

Bonus and welfare funds are allocated from profit after tax and are used primarily to make payments to the Company's employees. The bonus and welfare funds are not required by law and are fully distributable.

(p) Revenue

(i) Revenue from securities brokerage

Revenue from securities brokerage activities is recognised in the statement of income when the securities transaction is completed.

(ii) Revenue from securities trading

Revenue from securities trading activities is recognised in the statement of income upon receipt of the Notice for settlements of securities trading transactions from Ho Chi Minh City Stock Exchange or Hanoi Securities Trading Centre (for listed securities) and completion of the agreement on transfer of assets (for unlisted securities).

(iii) Revenue from securities investment advisory

Revenue from securities investment advisory activities is recognised in the statement of income in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to work performed.

(iv) Revenue on operating capital

Revenue on operating capital mainly represents interest income on deposits at banks and banks' notes, reverse purchase agreements and cash advances. Revenue on operating capital is recognised in the statement of income on an accrual basis.

(v) Revenue from investment activities

Revenue from investment activities mainly represent dividend income which is recognised when the Company's rights to receive dividends are established.

Ho Chi Minh Securities Corporation
Notes to the financial statements for the year ended 31 December 2007 (continued)

(q) Earnings per share

The Company present basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighed average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes, share options granted to employees and shares issued awaiting approval.

(r) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(s) Provision for severance allowance

Under the Vietnamese Labour Code, when an employee who has worked for his/her employer for 12 months or more voluntarily terminates his/her labour contract, the employer is required to pay the employee a severance allowance based on the number of years of service. Provision for severance allowance is calculated based on employees' current salary level and their service time.

(t) Off balance sheet items

Amounts which are defined as off balance sheet items under Decision No. 99/2000/QD-BTC dated 13 June 2000 issued by the Ministry of Finance on the promulgation of accounting system of securities companies are disclosed in the relevant notes to these financial statements.

(u) Nil balances

Items or balances required by Decision No. 99/2000/QD-BTC dated 13 June 2000, issued by the Ministry of Finance on the promulgation of accounting system of securities companies, that are not shown in these financial statements indicate nil balances.

Ho Chi Minh Securities Corporation
Notes to the financial statements for the year ended 31 December 2007 (continued)

3. Segment reporting by business

	Securities brokerage		Securities investment		Investment Advisory		Unallocated		Total	
	2007 VND	2006 VND	2007 VND	2006 VND	2007 VND	2006 VND	2007 VND	2006 VND	2007 VND	2006 VND
Segment revenue	32,835,148,535	7,133,457,555	174,179,114,284	103,033,102,134	3,411,628,200	1,098,000,000	20,086,612,144	8,389,043,818	230,512,503,163	119,653,603,507
Segment results	28,954,795,584	6,807,102,729	142,097,055,745	103,033,102,134	-	-	(22,953,565,605)	(8,634,572,160)	148,098,285,724	101,205,632,703
Segment assets	56,358,827,236	40,970,733,903	671,076,601,966	232,425,545,581	-	-	594,723,282,638	116,556,387,640	1,322,158,711,840	389,952,667,124
Segment liabilities	132,782,699,383	70,635,618,992	-	-	-	-	539,932,373,504	158,436,293,760	672,715,072,887	229,071,912,752

Ho Chi Minh Securities Corporation
Notes to the financial statements for the year ended 31 December 2007 (continued)

4. Cash and cash equivalents

	2007 VND	2006 VND
Cash on hand	360,070,207	3,561,333,621
Cash at bank	581,427,701,992	119,142,552,711
Cash and cash equivalents in the statement of cash flows	581,787,772,199	122,703,886,332

Cash at 31 December 2007 included amounts denominated in currencies other than VND amounting to VND2,172,711 (31 December 2006: VND Nil).

5. Securities investments

	Amount brought forward VND	Increase VND	Decrease VND	Amount carried forward VND
Cost				
Trading securities	131,540,684,108	518,225,830,962	(259,608,299,958)	390,158,215,112
Less allowances				
Allowance for diminution in value of securities and short-term investments		- (32,082,058,539)		- (32,082,058,539)
Total	131,540,684,108	486,143,772,423	(259,608,299,958)	358,076,156,573

The book values of listed and unlisted securities were as follows:

	2007 VND	2006 VND
Listed securities	127,834,326,377	65,000,475,906
Unlisted securities	262,323,888,735	66,540,208,202
Allowance for diminution in value of securities and short-term investments on securities investments	(32,082,058,539)	-
	358,076,156,573	131,540,684,108

Ho Chi Minh Securities Corporation
Notes to the financial statements for the year ended 31 December 2007 (continued)

The nominal values of listed and unlisted securities were as follows:

Nominal value	2007 VND
▪ Listed	19,259,880,000
▪ Unlisted	64,395,940,000
	83,655,820,000

6. Short-term investment

Short-term investment represents the reverse securities repurchase agreements with value amounting VND267,166,238,600 as at 31 December 2007 (2006: VND81,522,200,600).

7. Other receivables

Other receivables comprised:

	2007 VND	2006 VND
Receivables from HIFU	1,854,763,507	3,761,111,340
Receivables from Sacombank Securities	8,205,004,400	-
Bidding deposits	13,193,000,000	2,919,000,000
Advances to customers for trading securities	12,932,800,000	7,710,150,000
Deposits for purchase of property	5,610,000,000	5,610,000,000
Other receivables	7,781,122,708	7,929,446,222
	49,576,690,615	27,929,707,562

Ho Chi Minh Securities Corporation
Notes to the financial statements for the year ended 31 December 2007 (continued)

8. Tangible fixed assets

	Motor vehicles VND	Office equipment VND	Total VND
Cost			
Opening balance	895,389,685	2,780,737,185	3,676,126,870
Addition	3,177,902,884	2,397,948,600	5,575,851,484
Transferred to other assets	-	(18,904,200)	(18,904,200)
Written-off	-	(159,381,375)	(159,381,375)
Disposals	(895,389,685)	-	(895,389,685)
Closing balance	3,177,902,884	5,000,400,210	8,178,303,094
Accumulated depreciation			
Opening balance	293,862,770	1,041,021,846	1,334,884,616
Charged for the year	250,611,089	1,124,435,763	1,375,046,852
Disposals	(256,802,722)	-	(256,802,722)
Closing balance	287,671,137	2,165,457,609	2,453,128,746
Net book value			
Closing balance	2,890,231,747	2,834,942,601	5,725,174,348
Opening balance	601,526,915	1,739,715,339	2,341,242,254

Ho Chi Minh Securities Corporation
Notes to the financial statements for the year ended 31 December 2007 (continued)

9. Intangible fixed assets

	Software VND
Cost	
Opening balance	572,614,615
Addition	938,239,405
Closing balance	<u>1,510,854,020</u>
Accumulated depreciation	
Opening balance	289,771,374
Charged for the year	760,963,881
Closing balance	<u>1,050,735,255</u>
Net book value	
Closing balance	460,118,765
Opening balance	<u>282,843,241</u>

10. Long-term securities investments

Long-term securities investments represent investment in government and corporate bonds with interest rates and maturities ranging from 6-9% and 3-7 years respectively.

11. Construction in progress

Construction in progress presents the cost of purchase, and installation of the Company's IT system.

12. Long-term deposits

This balance represents the security refundable deposit for the Company's office rental.

Ho Chi Minh Securities Corporation**Notes to the financial statements for the year ended 31 December 2007 (continued)****13. Deposits at Payment Support Fund**

These represent deposits at the Ho Chi Minh City Stock Exchange.

According to Decision 60/2004/QD-BTC dated 15 July 2004 and Decision 72/2005/QD-BTC dated 21 October 2005, both issued by the Ministry of Finance, the Company is required to deposit an initial amount of VND120 million at Ho Chi Minh City Stock Exchange and an additional annual contribution of 0.008% of the total value of dealing and brokered securities in the previous year.

Movements of deposits of Payment Support Fund during the year were as follow:

	2007 VND
Opening and closing balance	186,024,720

14. Long-term prepayments

	2007 VND
Opening balance	1,275,030,690
Additions	8,587,610,502
Amortisation for the year	(2,790,210,537)
Closing balance	7,072,430,655

15. Taxes payable to State Treasury

	2007 VND	2006 VND Restated
Taxes		
Corporate income tax	8,984,065,620	8,948,480,168
Withholding tax	2,252,147,180	-
Personal income tax	409,929,258	126,124,657
	11,646,142,058	9,074,604,825

Ho Chi Minh Securities Corporation
Notes to the financial statements for the year ended 31 December 2007 (continued)

16. Other payables

Other long-term investment comprised:

	2007 VND	2006 VND
Payable to Soc Trang Sugar Company	29,954,800,000	29,954,800,000
Payable to HIFU	-	3,743,643,561
Dividend payables	2,652,913,219	1,954,382,112
Cash received from shareholders (*)	427,060,794,000	-
Payables to customers	-	14,799,385,000
Other payables	8,180,502,808	28,076,334,047
	467,849,010,027	78,528,544,720

(*) This represents the cash received from the shareholders. The amount will be transferred to share capital when the Company obtains approval from the State Securities Commission for the increase in share capital.

17. Provision for severance allowance

	Severance allowance VND
Opening balance	-
Provision made during the year	400,000,000
Closing balance	400,000,000

Under the Vietnamese Labour Code, when an employee who has worked for his/her employer for 12 months or more voluntarily terminates his/her labour contract, the employer is required to pay the employee a severance allowance based on the number of years of service. Provision for severance allowance is calculated based on employees' current salary level and their service time.

Ho Chi Minh Securities Corporation**Notes to the financial statements for the year ended 31 December 2007 (continued)****18. Share capital**

The Company's authorised and issued share capital comprises:

	Number of shares	VND
Authorised capital	20,000,000	200,000,000,000
Issued capital	20,000,000	200,000,000,000

Movements in issued share capital during the year were as follows:

	2007 No of shares	2007 VND
Balance at beginning of the year	10,000,000	100,000,000,000
Shares issued during the year	10,000,000	100,000,000,000
Balance at end of the year	20,000,000	200,000,000,000

The Company is in the process of applying for an increase of authorised capital to VND400 billion by issuing 20,000,000 new shares to its existing shareholders, employees and strategic shareholders.

Share premium movements were as follows:

	2007 shares	2007 VND
Balance at beginning of the year	10,000,000	5,275,000,000
Shares issued during the year	10,000,000	230,824,785,000
Balance at end of the year	20,000,000	236,099,785,000

Treasury share movements were as follows:

	2007 shares	2007 VND
Balance at beginning of the year	1,130,000	39,360,162,500
Shares re-issued during the year	(1,130,000)	(39,360,162,500)
Balance at end of the year	-	-

Ho Chi Minh Securities Corporation

Notes to the financial statements for the year ended 31 December 2007 (continued)

19. Reserves and funds

According to Circular 27/2007/QD-BTC dated 24 April 2007 issued by the Ministry of Finance, securities companies are required to make the following allocation from profit after tax before distribution of profits:

	Annual allocation	Maximum balance
Reserve to supplement share capital	5% of profit after tax	100% of share capital

The above reserve is calculated based on the profits after tax. The purpose of this reserve is to supplement share capital.

Financial reserve	5% of profit after tax	10% of share capital
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The purpose of the financial reserve is to cover losses incurred during the normal course of business. This reserve together with the reserve to supplement share capital is non-distributable.

The Company has allocated VND4,573,219,676 of the retained profits to a bonus and welfare funds. The establishment of these funds is voluntarily in nature and fully distributable. The funds have been set aside to pay expenses relating to the employees' bonuses and welfare. Under Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam, the Company is permitted to recognize expenses relating to employees' bonuses and welfare in the statement of income or to recognize these expenses as a utilization of the bonus and welfare funds in the equity section. It is the Company's accounting policy to recognize these expenses as a utilization of the bonus and welfare fund in the equity section. During the year, the Company made payments totaling VND1,803,672,200 from the bonus and welfare funds.

20. Revenue from operating capital

	2007 VND	2006 VND
Incomes received from reverse securities repurchase agreements and other operating capital activities	19,955,285,015	6,505,272,421

Ho Chi Minh Securities Corporation

Notes to the financial statements for the year ended 31 December 2007 (continued)

21. Expenses for securities trading

	2007 VND	2006 VND
Provision for short term trading securities	32,082,058,539	-
Brokerage fees	3,880,352,951	326,354,826
Interest expenses	2,127,252,736	842,824,334
Other expenses	3,051,645,550	1,542,528,390
	<hr/>	
	41,141,309,776	2,711,207,550
	<hr/>	

22. General and administration expenses

	2007 VND	2006 VND
Staff costs	17,893,304,044	5,867,221,200
Depreciation and amortisation	4,926,221,270	719,834,658
Tax and fees	174,347,660	466,797,344
External services expenses	7,662,063,035	2,069,431,640
Other expenses	10,559,293,781	6,478,399,778
	<hr/>	
	41,215,229,790	15,601,684,620
	<hr/>	

23. Staff costs

	2007 VND	2006 VND
Total salaries and related expenses	17,893,304,044	5,867,221,200
	<hr/>	
Average monthly salary/staff	11,928,827	8,580,000
Average monthly remuneration/staff	16,033,427	9,778,702
	<hr/>	

Ho Chi Minh Securities Corporation

Notes to the financial statements for the year ended 31 December 2007 (continued)

24. Corporate income tax ("CIT")

(a) Recognised in the statement of income

	2007 VND	2006 VND Restated
Current tax expense		
Current year	15,953,137,742	9,596,755,451

(b) Reconciliation of effective tax rate

	2007 VND		2006 VND Restated	
Profit before tax	148,098,285,72		101,205,632,703	
Tax at CIT rate applicable	10%	14,809,828,572	10%	10,120,563,270
Less non taxable incomes	(0.4%)	(580,676,580)	(0.5%)	(523,807,819)
Add other taxable incomes	1.2%	1,723,985,750	0%	-
	10.8%	15,953,137,742	9.5%	9,596,755,451

(c) Applicable tax rates

The Company has an obligation to pay the government CIT at the rate of 20% of taxable profits for the first 10 years and 28% thereafter. The provisions of the Company's Securities Operating Licence allow the Company to be exempted from CIT for 2 years starting from the first year the Company generates a taxable profit (2003 - 2004) and receive a 50% reduction in CIT for the three succeeding years (2005 - 2007).

Ho Chi Minh Securities Corporation

Notes to the financial statements for the year ended 31 December 2007 (continued)

25. Significant transactions with related parties

During the year there were the following significant transactions and balances with related parties:

Related party	Relationship	Nature of transaction/balances	2007 VND	2006 VND
Dragon Capital Markets Limited	Strategic Shareholder	Trading securities purchase brokerage	130,151,700,000	-
		Trading securities sale brokerage	889,342,000	-
		Brokerage fees	27,364,353	-
Hochominh City Investment Fund for Urban Development ("HIFU")	Strategic Shareholder	Trading securities sale brokerage	11,646,210,000	10,486,575,000
		Brokerage fees	17,469,315	20,973,150

26. Value of transactions processed during the year

Items	Volume of transactions processed Shares	Total transaction value VND
Transactions of the Company		
Shares	10,097,790	932,944,672,707
Bonds	2,953,854	142,207,522,240
Transactions of customers		
Shares	150,987,626	15,654,676,258,000
Total	164,039,270	16,729,828,452,947

Ho Chi Minh Securities Corporation
Notes to the financial statements for the year ended 31 December 2007 (continued)

27. Movements of accounts receivable and accounts payable

Items	Amount brought forward VND	Increase VND	Decrease VND	Amount carried forward VND
1. Accounts receivables	30,024,683,007	3,685,650,201,627	(3,665,460,705,497)	50,214,179,137
1.1. Prepayment to suppliers	457,800,000	325,514,775,000	(325,972,575,000)	-
1.2. Other receivables	27,929,707,562	3,346,851,236,190	(3,325,204,253,137)	49,576,690,615
1.3. Advance	1,637,175,445	13,284,190,437	(14,283,877,360)	637,488,522
2. Accounts payable	226,587,335,912	23,423,240,396,763	(22,983,193,745,349)	666,633,987,326
Current liabilities	226,587,335,912	23,423,240,396,763	(22,983,193,745,349)	666,633,987,326
2.1. Short-term loan	64,169,485,600	247,795,939,000	(311,965,424,600)	-
2.2. Accounts payable				
Payables to suppliers	1,363,036,900	981,109,857,934	(982,472,894,834)	-
Advances from customers	879,774,875	89,941,654,300	(84,803,261,347)	6,018,167,828
Payable-Trade	1,936,270,000	203,495,990,000	(204,774,260,000)	658,000,000
2.3. Taxes payable to State Treasury	9,074,604,825	22,158,642,736	(19,587,105,503)	11,646,142,058
2.4. Other payables	78,528,544,720	5,903,568,095,626	(5,514,247,630,319)	467,849,010,027
2.5. Deposits by customers	70,635,618,992	12,005,745,300,447	(11,943,598,220,056)	132,782,699,383
2.6. Payables to Vietnam Securities Depository Centre	-	3,969,424,916,720	(3,921,744,948,690)	47,679,968,030

Ho Chi Minh Securities Corporation**Notes to the financial statements for the year ended 31 December 2007 (continued)****28. Indices**

Items	2007	2006
1. Asset and resources structure		
- Fixed assets/total assets (%)	0.5%	0.7%
- Current assets/total assets (%)	95.2%	93.9%
2. Profitability rate		
- Profit/turnover rate (%)	64.2%	84.6%
- Profit/equity rate (%)	22.8%	62.9%
3. Financial situation		
- Total liabilities/total assets (%)	50.9%	58.7%
- Liquidity (%):		
+ Current ratio: Current assets/current liabilities	187.0%	159.8%
+ Quick ratio: (Current assets - inventories)/current liabilities	187.0%	159.8%
+ Cash liquidity: Cash and cash equivalents/current liabilities	86.5%	53.6%

29. Subsequent events

Subsequent to the balance sheet date due to the general decline in the stock markets in Vietnam value of some trading securities decreased from the carrying value as of 31 December 2007. The Management believes that the net impact was minimal as the value of certain securities has increased from the reported carrying value in the financial statements for the year ended 31 December 2007. No adjustment has been made to the financial statements for the year ended 31 December 2007.

Ho Chi Minh Securities Corporation**Notes to the financial statements for the year ended 31 December 2007 (continued)****30. Commitments****(a) Capital expenditure**

As at 31 December 2007 the Company had the following outstanding capital commitments approved but not provided for in the balance sheet:

	2007 VND	2006 VND
Approved and contracted	4,060,617,561	-

(b) Lease commitment

The future minimum lease payments under non-cancellable operating leases were:

	2007 VND	2006 VND
Within one year	7,241,873,310	1,833,128,640
Within two to five years	16,354,727,046	2,902,453,680
Over five years	1,775,392,178	-
	<hr/> 25,371,992,534	<hr/> 4,735,582,320

Ho Chi Minh Securities Corporation**Notes to the financial statements for the year ended 31 December 2007 (continued)****31. Earnings per share****(a) Basic earnings per share**

The calculation of basic earnings per share at 31 December 2007 was based on the profit attributable to ordinary shareholders of VND132,145 million (2006: VND91,609 million) of the Company and a weighted average number of ordinary shares outstanding of 12,329,627 (2006: 5,901,334), calculated as follows:

(i) Net profit attributable to ordinary shareholders

	2007	2006
	VND	VND
Net profit attributable to ordinary shareholders	132,145,147,982	91,608,877,252

(ii) Weighted average number of ordinary shares

	2007	2006
Issued ordinary shares at the beginning of the year	8,870,000	4,988,000
Effect of shares issued during the year	2,630,137	1,041,096
Effect of acquisition of treasury shares	-	(118,762)
Effect of re-issuance of treasury shares	829,490	-
Weighted average number of ordinary shares at the end of the year	12,329,627	5,910,334

Ho Chi Minh Securities Corporation**Notes to the financial statements for the year ended 31 December 2007 (continued)****(b) Diluted earning per shares**

The calculation of diluted earnings per share at 31 December 2007 was based on the profit attributable to ordinary shareholders of VND132,145 million (2006: VND91,609 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 32,329,627 (2006: 5,910,334), calculated as follows:

(i) Net profit attributable to ordinary shareholders (diluted)

	2007 VND	2006 VND
Net profit attributable to ordinary shareholders (basic)	132,145,147,982	91,608,877,252
Interest expenses on convertible bonds, net of tax	-	-
Net profit attributable to ordinary shareholders (diluted)	<u>132,145,147,982</u>	<u>91,608,877,252</u>

(ii) Weighted average number of ordinary shares (diluted)

	2007 VND	2006 VND
Weighted average number of ordinary shares (basic)	12,329,627	5,910,334
Effect of shares issued awaiting approval	20,000,000	-
Weighted average number of ordinary shares (diluted) as at 31 December 2007	<u>32,329,627</u>	<u>5,910,334</u>

Ho Chi Minh Securities Corporation**Notes to the financial statements for the year ended 31 December 2007 (continued)****32. Prior year adjustments**

As at 31 December 2006, the Company did not provide for corporate income tax for the year ended 31 December 2006, amounted to VND9,596,755,451. To correct this error, corporate income tax expenses and taxes payable to State Treasury have been retrospectively adjusted.

The effects of the above adjustments on the figures as of 31 December 2006 are as follows:

Balance sheet

	2006 (as previously stated) VND	Adjustments VND	2006 (as restated prior to reclassification) VND
Taxes payable to State Treasury	(522,150,626)	9,596,755,451	9,074,604,825
Retained profits	101,205,632,703	(9,596,755,451)	91,608,877,252

Statement of income

	2006 (as previously stated) VND	Adjustments VND	2006 (as restated) VND
Profit after tax	101,205,632,703	(9,596,755,451)	91,608,877,252
Corporate income tax	-	9,596,755,451	9,596,755,451

Ho Chi Minh Securities Corporation
Notes to the financial statements for the year ended 31 December 2007 (continued)

33. Corresponding figures

Certain corresponding figures have been reclassified to conform with the current year's presentation as follows:

Balance sheet

	2006 (Reclassified) VND	2006 (as previously reported) VND
Trading securities	131,540,684,108	213,062,884,708
Short-term investments	81,522,200,600	-

Prepared by:



Lam Huu Ho
Chief Financial Officer

Approved by:



Johan Nyvene
Chief Executive Officer

11 APR 2008