

Ho Chi Minh City, April 24th, 2017

REPORT

AT THE FY2017 ANNUAL GENERAL MEETING OF SHAREHOLDERS

Subject: Business Plan 2017

I. MARKET OVERVIEW IN 2017

- The stock market's daily average trading value has been growing at a rate of 25% p.a on average but distributed unevenly over the period;
- Equitization of state-owned enterprises will continue to happen quite intensively in the coming period while the divestiture of state capital in large cap listed enterprises such as Vinamilk, Sabeco, Habeco is also expected to add to market liquidity;
- Moving forward in 2017, the market will welcome IPOs of large state-owned enterprises in such sectors as electricity, petroleum, petrochemical, construction, real estate, textiles, garments, telecommunications, etc.
- The largest private enterprises operating in the fields of real estate, air transport, banking, and telecommunications promises to contribute significantly to the market attractiveness in 2017;
- Raising the limit of foreign ownership ratio in public companies needs to be further facilitated to attract more foreign capital channeled into the market;
- The introduction of new products to the market, i.e.: derivative products, covered warrants are ready to be launched in 2017, which will help the market become more active.

II. KEY ASSUMPTIONS IN THE 2017 BUSINESS PLAN

1 Trading value and brokerage market share

Based on the daily average trading value over the past 5 years and projection of market trends in the coming period, the Board of Management has made some assumptions on the trading value and brokerage market share of HSC in 2017 as follows:

HSC's Brokerage market share	2017 Target	FY2016	Change	Q1/2017
Daily average trading value (VND billion/day)	3,600	3,046	18%	3,760
Total HSC's brokerage market share	12.3%	11.2%		10.2%
Private clients of HSC / total market	7.9%	7.1%		6.5%
Institutional clients of HSC / total market	4.3%	3.9%		3.5%
Proprietary trading of HSC / total market	0.2%	0.2%		0.1%
Market share by customers				
Private Clients of HSC/Total local market	10.7%	9.6%		8.5%
Foreign Institution of HSC/Total foreign market	31.0%	28.5%		29.4%

Actual daily average trading value in Quarter 1/2017 reached to VND 3.760 billion, increased by 23% compared to 2016 (2016: VND 3.046 billion) and equivalent to 104% compared to projection for 2017 in 2017 Target.

2 Margin lending transactions

Margin Lending	Projection for 2017	FY2016	Change	Q1/2017	% 2017 Projection
HSC average margin loan balance (VND billion)	3,100	2,599	19%	2,695	87%
<i>In which:</i>					
Allocation to Private Client Division (VND billion)	2,899	2,432	19%	2,486	86%
Allocation to Institutional Client Division (VND billion)	202	167	21%	209	103%
The average margin interest rate	13.3%	13.3%		13.7%	

Margin loan balance is expected to move along with the surge in the entire market's trading value and the lending rate is projected at 13.3% p.a, equivalent to the average interest rate in 2016.

3 Bank interest rate

Bank interest rate	Projection for 2017	FY2016	Q1/2017
The average deposit rate (% p.a.)	6.0%	5.5%	5.3%
The average bank borrowing rate (% p.a.)	9.0%	7.4%	7.2%

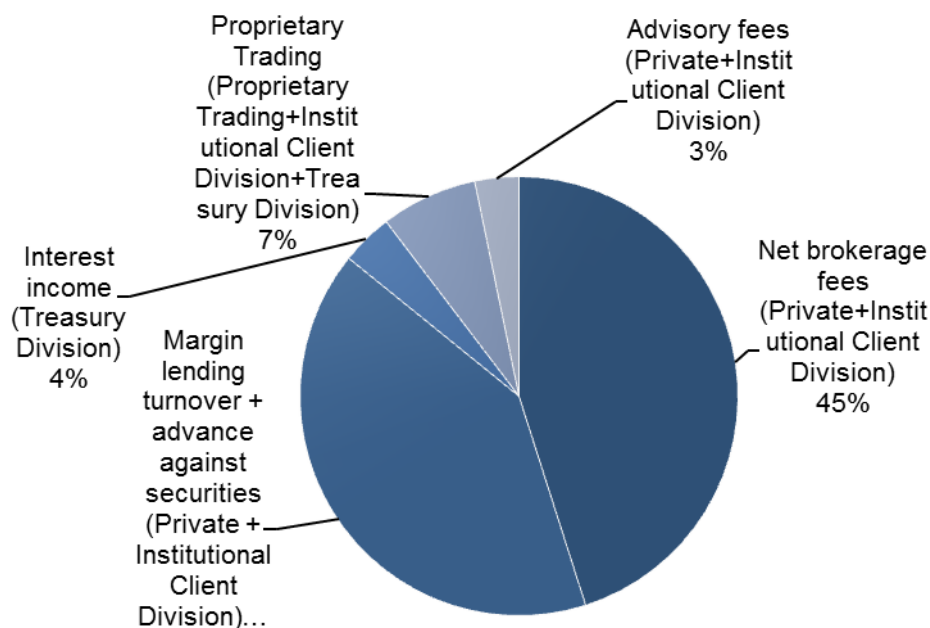
III. SUMMARY BUSINESS PLAN 2017

DESCRIPTION (VND billion)	2017 Target	FY2016	Change	Q1/2017	% 2017 Target
Business results (VND billion)					
Revenues	1,011.9	824.2	23%	218.8	22%
Total operating expenses	561.1	439.7	28%	103.4	18%
Profit before tax	450.8	385.4	17%	115.4	26%
Net profit after tax	361.1	304.5	19%	94.9	26%
Balance Sheet (VND billion)					
Total assets	3,845.0	3,616.8	6%	3,892.8	101%
Shareholders' equity	2,456.5	2,391.9	3%	2,513.8	102%
Financial Indicators					
Revenue / Total Assets (ROAA)	9.4%	9.1%	4%	2.5%	27%
Revenue / Equity (ROAE)	14.7%	13.0%	13%	3.9%	26%
Indicator for a stock unit					
Number of shares	129,655,368	127,155,368	2%	129,655,368	100%
EPS - VND	2,645	2,395	10%	742	28%
Book value per share - VND	18,946	18,811	1%	19,388	102%

Revenues in 2017 is expected to increase by 23% and operating expenses increase by 28% compared with 2016.

According to the assumptions made above on the trading value, brokerage market share and margin lending, brokerage fees and margin income will probably remain the most profitable activities of HSC, representing 45% and 41% of total revenue in 2017 respectively, and followed by proprietary trading activities, financial advisory fees and bank deposits income.

Revenues by income types



Total operating expenses are projected at VND 561 billion, increasing by 28% compared to 2016 and mainly including:

Total operating expenses 2017	Weight	2017 Target	FY2016	Change	Q1/2017	% 2017 Target
Normal operating expenses	79%	444.1	338.4	31%	86.1	19%
Bank interest expense	16%	90.0	45.3	99%	16.0	18%
Securities investment expenses	0%	-	14.3	-100%	2.9	n/a
Loss/ (reversal) due to revaluation of financial assets	0%	-	3.5	-100%	(1.7)	n/a
Provision for doubtful debts	0%	-	18.2	-100%	-	n/a
General provision for margin lending	1%	3.3	20.0	-84%	-	n/a
Interest expenses on HSC bonds	4%	23.8	-	n/a	-	n/a
Total	100%	561.1	439.7	28%	103.4	18%

Profit after tax in 2017 is predicted to reach VND 361 billion, or an increase of 19% compared to 2016 given the applicable corporate income tax rate of 20%.

Return on equity (ROAE) in 2017 is expected at 14.7%, up from 13.0% in 2016.

Business plan 2017 will be presented by revenues and operating expenses of each business function across HSC as follows:

1. Private Client Division

Private Client Division (VND billion)	2017 Target	FY2016	Change	Q1/2017	% 2017 Target
Brokerage fees for listed shares	268.5	203.5	32%	55.8	21%
OTC stock brokerage fees	0.7	-	n/a	-	0%
Margin trading turnover	385.5	319.9	20%	84.1	22%
Other revenues	4.7	7.0	-33%	3.6	76%
Total revenues	659.5	530.5	24%	143.5	22%

In 2017, Private Client Division plans to focus on capacity building for the brokerage team and research and development of more new services to meet the diverse investment needs of customers such as: account management, OTC stock brokerage services, etc., thereby increasing fee income, interest and expanding brokerage market share for HSC.

a. *Brokerage fees for listed shares*

Brokerage fee income of Private Client Division is projected to increase by 32% on the following assumptions:

- The daily average trading value in 2017 increases by 19% as mentioned above;
- The market share of Private Client Department out of total domestic trading value rose from 9.6% in 2016 to 10.7% in 2017;
- Average brokerage fee reaches 0.19% of transaction value, remaining comparable to 2016;

b. *OTC stock brokerage fees*

In anticipating additional supply of shares from new IPOs in 2017, OTC brokerage unit has been established under the Private Client Division and is expected to contribute brokerage fees of VND 0.7 billion to the total revenue of the Division.

c. *Margin income*

Outstanding margin loan balance of the Private Client Division is predicted to account for 94% of HSC's total outstanding loans, similar to 2016 and reach VND 2,899 billion corresponding to the volatility in the market's average trading value compared to 2016.

The average margin rate is forecasted at 13.3% p.a, slightly up from 13.2% p.a in 2016 based on the overall market interest rate movements and competition from industry peers.

d. *Other revenues*

Other revenues include depository fees, shareholder management services, transfer of securities and other services, which are projected at VND 4.7 billion.

2. Institutional Client Division

Institutional Client Division (VND billion)	2017 Target	FY2016	Change	Q1/2017	% 2017 Target
Brokerage fees for listed shares	145.8	116.3	25%	31.0	21%
Off-band transaction fee	10.1	8.6	18%	2.1	21%
OTC stock brokerage fees	-	9.9	-100%		n/a
Bond brokerage fees	12.4	10.5	18%	2.1	17%
Margin income	26.8	23.5	14%	7.1	27%
Income from using capital	9.0	8.9	1%	(0.1)	-1%
Other revenues	7.5	8.1	-8%	0.7	9%
Total revenues	211.6	185.9	14%	42.9	20%

a. *Brokerage fees for listed shares*

Assumptions affecting net income from brokerage fees of the Institutional Client Division are analyzed below:

Institutional Client Division (VND billion)	2017 Target	FY2016	Change
Daily average trading value	3,600	3,046	18%
% of foreign market/Total market	13.0%	13.1%	
Foreign Institution of HSC/Total foreign market	31.0%	28.5%	
Equivalent market share of Institutional Clients of HSC/Total market	4.3%	3.9%	

Assumptions affecting net income from brokerage fees of the Institutional Client Division are given below:

- Of the total transaction value of Institutional Client Division, the transaction value from institutional clients usually accounts for 86% and the rest is from brokerage intermediaries (HSC must share 50% of brokerage fee with these intermediaries), which are predicted based on the value of transactions made in 2016;
- The average brokerage fees for ordinary transactions and transactions through intermediaries are projected at 0.16% and 0.40%, respectively, of the trading value, equivalent to 2016;

b. Off-band transaction fee

Include fees charged on transactions in large quantity of shares made off-band. Revenue in 2017 is projected at VND 10.1 billion based on 2016 results and anticipation of the growth rate of the market value in 2017.

c. OTC stock brokerage fees

Institutional Client Division expects no significant OTC transactions in 2017 as have been done in 2016.

d. Bond brokerage fees

The gross bond brokerage fees for institutional clients are expected to reach VND 6.2 billion based on the assumption of an increased trading value in 2017 compared to 2016.

e. Margin income

Based on the fact in 2016, the demand for margin of Institutional Client Division in 2017 is predicted to account for roughly 6% of HSC's total margin balance at a margin rate of 13.3%/p.a.

f. Income from using capital

It is mainly attributed to the purchase and resale of stocks to institutional investors.

Average capital used is projected at VND 30 billion with a ROI of 30% p.a, generating VND 9 billion profit in 2017. In 2016, the average capital employed was VND 11.6 billion and a ROI of 41.3%/p.a.

g. Other revenues

Other revenues come primarily from provision of market research information by Research Division.

3. Corporate Finance Division

Corporate Finance Division (VND billion)	2017 Target	FY2016	Change	Q1/2017	% 2017 Target
Advisory Fees	25.0	16.1	55%	6.1	24%
Income from using capital	20.0	0.2	n/a	-	n/a
Total revenues	45.0	16.3	176%	6.1	13%

a. Advisory Fees

Net advisory fees include fees from success advisory transactions, procedure and underwriting fees.

b. Income from using capital

It mainly involve support for underwriting contracts in 2017 based on the assumptions of an average investment of VND 100 billion and expected ROI of 20% p.a.

Capital employed to support underwriting contracts of the Corporate Finance Division is predicted at a ROI of 20% p.a, lower than the ROI from income from using capital by the Institutional Client Division (30%), which can be attributed to the particularities of underwriting business whereby OTC stocks account for the majority and capital employed is larger than VND 100 billion compared to the Institutional Client Division's portfolio which typically include listed shares with capital used under VND 30 billion.

4. Proprietary Trading Division

Proprietary Trading Division (VND billion)	2017 Target	FY2016	Change	Q1/2017	% 2017 Target
Old portfolio	0.8	1.1	-27%	0.2	22%
New portfolio	30.0	53.4	-44%	13.6	45%
ETF portfolio	7.5	5.9	27%	3.1	42%
Derivative portfolio	4.8	-	n/a	-	n/a
Total revenues	43.1	60.3	-29%	16.9	39%

a. *Old portfolio*

Old portfolio consists largely of investments in OTC stocks brought forward from the previous years. Turnover of the old portfolio will be mainly from dividends with the value after provision of about VND 42 billion and expected ROI of 1.8% p.a.

b. *New portfolio*

The portfolio of listed stocks is predicted to generate a profit of VND 30 billion with average investment of VND 150 billion at a ROI of 20% p.a. The overall assumption is that VN 30 Index will grow by 17% from 665 at the beginning to 780 at the end of 2017 (2016: average capital of VND 83.7 billion and ROI 52.3% p.a).

c. *ETF portfolio*

ETF portfolio is predicted to generate a profit of VND 7.5 billion with average investment of VND 30 billion at a ROI of 25% p.a. (2016: average capital of VND 19.7 billion and ROI 21% p.a).

d. *Derivative portfolio*

Derivative portfolio will be launched in 2017 and HSC intends to use approximately VND 40 billion for market making activities of Index Futures with expected profitability rate of 12% p.a, bringing VND 4.8 billion of profit.

Generally, the investment portfolio of the division dealing in 2017, the average capital investment reached VND 220 billion at the average ROI of 19.2% / year (2016: average capital investment of VND 103 billion and average ROI of 46.4% p.a).

5. Treasury Division

Treasury Division (VND million)	2017 Target	FY2016	Change	Q1/2017	% 2017 Target
Interest on bank deposits	38.6	30.6	26%	9.3	24%
Bond investment	-	0.1	-100%	-	n/a
Other revenues	0.3	0.6	-46%	0.1	31%
Total revenues	38.9	31.3	24%	9.4	24%

a. *Interest on bank deposits*

Interest income from bank deposits is expected to reach VND 38.6 billion with deposit balance maintained at VND 725 billion and the average deposit interest rate of 6.0% p.a (2016: average deposit balance of VND 631 billion and the average interest rate of 5.5% p.a).

b. *Bond investment*

Similar to 2016, the Board of Management does not plan to invest in the bond portfolio in 2017 in anticipation of low bond coupon rates in the market, so investment in bonds may not bring positive benefits as the previous years. Instead, most of the capital is channeled into more profitable investments such as margin lending.

c. *Other revenues:*

Other revenues come from bond brokerage fees and bond auction for customers.

6. Brokerage derivatives

This is the new business line expected to be launched in 2017 based on the trading of Index Futures.

Brokerage fees are anticipated based on the following assumptions:

Net brokerage fees (VND billion)	2017 Target
Derivative market size compared to the stock market	30%
Operating cycle (months)	6
The average number of contracts / day (contracts)	2,805
Value of 01 contract (VND billion)	0.39
HSC's market share	20%
Brokerage fees / contract (VND thousand)	100
Annual brokerage fees (VND billion)	13.9

II. OPERATING EXPENSES IN 2017

Operating expense (VND billion)	Weight	2017 Target	2016	Change	Q1/ 2017	% 2017 Target
Salary and personnel related expenses	53%	234.3	167.6	40%	44.3	19%
Securities brokerage expenses	16%	71.1	61.1	16%	14.4	20%
Outsourced service expenses	14%	62.0	55.8	11%	14.7	24%
Leasing expenses	6%	24.6	20.6	19%	5.4	22%
IT related expenses	5%	20.7	14.7	40%	3.3	16%
Depreciation & amortization expenses	4%	17.6	5.9	197%	1.6	9%
Other expenses	3%	14.0	12.8	9%	2.5	18%
Total operating expenses before bank interest expenses and provisions	100%	444.1	338.4	31%	86.1	19%
Bank interest expenses		90.0	45.3	99%	16.0	18%
Securities investment expenses		-	14.3	-100%	2.9	n/a!
Provision for impairment of investments		-	3.5	-100%	(1.7)	n/a!
Provision for doubtful debts		-	18.2	-100%	-	n/a!
General provision for margin lending		3.3	20.0	-84%	-	-
Interest expenses on HSC bonds		23.8	-	n/a	-	-
Total operating expenses		561.1	439.7	28%	103.4	18%
Cost/Income Ratio		55%	53%		47%	

Total operating expenses in 2017 is expected to increase by 28% compared to 2016 in which:

- Operating costs before interest expenses and provisions are expected to go up by 31% primarily due to increased staffing expenses, expenses for brokerage services and depreciation associated with HSC's investments in infrastructure in 2017;
- Interest expenses will probably double compared to 2016 in anticipation of increased demand for short-term loans for principal investment in 2017;

- HSC Board of Management is considering to issue bonds to cover short-term capital demands, which will incur interest payment for bonds;
- However, provisions are expected to be less (compared to 2016) or nil, reducing operating expenses in 2017.

The fact that growth rate higher operating costs revenue growth as an indicator of operating costs / total revenues (CIR) was 55%, higher than the 53% of 2016.

Significant changes in operating expenses before interest expenses and provisions in 2017 compared to 2016 are as follows:

1. Salary and personnel related expenses

Salary and personnel related expenses account for 53% or up by 40% compared to 2016, in which:

Salary and personnel related expenses (VND billion)	2017 Target	FY2016	% Change
Salary and associated expenses	130.2	94.9	37%
Commission expenses	80.4	56.9	41%
Performance allowance	18.0	12.0	50%
Insurance and periodic medical checkup	5.6	3.8	49%
Total	234.3	167.6	40%

- Salary expenses are projected to increase by 37% compared to 2016, which can be attributed to:
 - o Increased staffing expenses by expanding departments will also lead to incremental expenses in the amount of VND 16 billion, equivalent to an increase of 17% on salary expenses.
 - o Pay rise of some Managing Directors and support departments (who have not got pay rise for 24 months) in 2017, equivalent to an increase of 15% in salary expenses in 2017;
 - o Salary expense increase due to new staff joining HSC from Q3/2016, which is equivalent to an increase of 5% in total salary payment of 2017.
- Commission expense includes commission paid to brokers will increase as driven by expectedly higher trading value in HSC and business development incentives to generate more revenues for the HSC ;
- Performance allowance anticipated to be accrued in 2017 is VND 18 billion compared to VND 12 billion by 2016;
- Insurance and periodic medical checkup for employees are anticipated to increase compared to 2016 due to increased staffing and enhanced insurance package for employees in 2017.

2. Securities brokerage expenses

These are securities brokerage fees paid to the Stock Exchanges, which will increase proportionally to the increase in HSC's trading value in 2017.

3. Outsourced service expenses

Outsourced service expenses mainly include: independent audit, internal audit, money tally of banks in transaction offices, brokerage fees paid to intermediaries, outsourced management counseling, car rental/parking, security, cleaning and printing expenses.

Outsourced service expenses are projected to increase by 11% compared to 2016 mainly due to incremental brokerage fees paid to intermediaries for client referrals to HSC in anticipation of higher trading value of this customer segment.

4. Leasing expenses

Leasing expenses are expected to increase by 19% compared to 2016 mainly due to the relocation of part of Hanoi office from 66A Tran Hung Dao to Cornerstone Building in 2017 to accommodate newly hired staff and prepare for the new business line. The majority of office leases are long-term contracts and will remain stable over the years.

5. Information technology expenses

Information technology expenses include maintenance expenses of the trading system, broadband connection and information services. In which:

Maintenance expenses for the trading system will mainly involve the current trading system in 2017;

Broadband connection and information services are expected to increase by 44% compared to 2016 mainly due to increased operating expenses for new IT projects in 2017, e.g.: Implementation of Disaster Recovery (DR) system, maintenance expenses of derivative trading platform, business process management (BPM) platform, and business intelligence (BI) platform.

Network, Internet access and information service expenses (VND billion)	2017 Target
Virtual information services (VIS)	6.84
Hardware maintenance services	2.10
Software maintenance services	1.50
Network, Internet access and broadband expenses	2.33
Operating expenses of Disaster Recovery (DR) system	2.36
Operating expenses of derivative trading platform	2.81
Maintenance expenses of business process management (BPM) platform	0.12
Maintenance expenses of business intelligence (BI) platform	0.12
Total	18.18

6. Fixed asset depreciation

Fixed asset depreciation mainly involves IT facilities such as: IT equipment, data centers and IT systems (representing 95% of total depreciation expenses).

IT related depreciation expense in 2017 is projected at VND 16.7 billion, well doubling that of 2016 mainly due to the incremental depreciation expenses of new assets/investment projects in 2017, in which:

- Depreciation expenses of existing IT assets is VND 8.3 billion, up by 53% compared to 2016 and including depreciation expenses of 2 new projects commenced at the end of 2016 namely Derivatives Trading Platform and DRP implementation;

Depreciation expenses of existing assets (VND billion)	2017 Target	FY2016	Change
Disaster Recovery Plan (DRP) implementation	0.8	-	n/a
Derivatives Trading Platform	2.9	-	n/a
Existing assets	4.6	5.4	15%
Total	8.3	5.4	53%

- Depreciation expenses of newly acquired IT assets are VND 8.46 billion. The list of new IT assets is expected to include:

Item (VND billion)	Value	Number of years	Annual depreciation		
			2017	2018	2019
Purchase of 300 man/days of AFE	2.90	3	0.97	0.97	0.97
Implementation of information security management project	2.50	3	0.83	0.83	0.83
Replacement of the old server, pin ups, equipment for data centers	3.50	3	1.17	1.17	1.17
Setting up new Hanoi branch at Corner Stone Building	3.80	3	1.27	1.27	1.27
Purchase of missing Microsoft license (Windows, Office, etc.)	6.00	3	2.00	2.00	2.00
Internal website, strengthened collaboration and interaction	1.38	3	0.46	0.46	0.46
Internet website, support for Retail, product promotion	3.45	3	1.15	1.15	1.15
Develop more add-ons for current Business Intelligence (BI) Platform (phase 2)	1.15	3	0.38	0.38	0.38
A new version of the accounting system to support derivative transactions	0.69	3	0.23	0.23	0.23
Total	25.37		8.46	8.46	8.46

7. Bank interest expenses

Interest expense of short-term loans are projected to be incurred in 2017 to meet working capital demands for margin lending business, which had a significant upswing amidst improved market sentiment. The average short-term loan balance is forecast at VND 1.000 billion at an average borrowing interest rate of 9.0% p.a.

8. General provision for margin lending

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

9. Other expenses

Remaining expenses of 2017 will be subject to minor variation from 2016 and reasonably incurred at the Company.

10. Interest expenses on HSC bonds

The Executive Committee can consider a plan to issue bonds to cover the loans, totaling VND 500 billion at a bond coupon rate of 9.5% p.a and is expected in the second half of 2017.

III. PROJECTED BALANCE SHEET IN 2017

ASSETS (VND billion)	2017 Target	Average 2016	Change	Average Q1/2017
A. CURRENT ASSETS	3,689.1	3,031.6	22%	3,471.8
I. Financial assets	3,684.4	3,026.9	22%	3,466.9
1. Cash	106.4	107.7	-1%	162.1
2. Financial assets	392.4	180.1	118%	407.4
3. Loans	3,170.0	2,687.7	18%	2,760.9
- Margin	3,100.0	2,599.1	19%	2,695.2
4. Receivables from services provided	50.0	50.0	0%	151.8
5. Other receivables	20.0	22.7	-12%	39.6
6. Provision for doubtful debts	(54.9)	(21.3)	64%	(54.9)
IV. Other current assets	4.7	4.7	0%	4.9
B. FIXED ASSETS AND LONG-TERM INVESTMENTS	155.9	138.6	12%	147.1
II. Fixed assets	31.8	9.7	228%	8.6
II. Construction in progress	3.0	6.4	-53%	14.3
III. Other long-term assets	121.1	122.5	-1%	124.2
TOTAL ASSETS	3,845.0	3,170.2	21%	3,618.9
A. LIABILITIES	1,388.5	834.5	66%	1,170.2
I. Short term liabilities	1,388.5	834.5	66%	1,170.2
- Short term loans	1,000.0	613.8	63%	942.1
- HSC bonds	250.0	-	n/a	-
- Other payables	138.5	220.7	-37%	228.1
B. SHAREHOLDERS' EQUITY	2,456.5	2,335.7	5%	2,448.7
I. Shareholders' equity	2,456.5	2,335.7	5%	2,448.7
TOTAL EQUITY	3,845.0	3,170.2	21%	3,618.9

Total assets in 2017 primarily include:

- HSC's cash balance is projected at VND 106 billion.
- Financial assets (short-term investment securities) with average invested capital after provision in 2017 at VND 392 billion, including:
 - Old portfolio (mainly OTC stocks): VND 42 billion
 - New portfolio (including listed shares and ETF): VND 350 billion
- Receivables mainly include outstanding margin balance and advance against securities with an average value of VND 3,100 billion.
- The average value of fixed asset in 2017 is estimated at VND 31.8 billion.
- Other long-term assets include prepaid office rent in AB Tower and other rent deposit of the Company's offices and payment for Settlement Assistance Fund.
- Short-term loans primarily consists of the average balance of bank loans and HSC issued bonds (in case of issuing bonds) as mentioned above.
- Average equity is estimated at VND 2,456 billion in 2017.

Here is the business plan of HSC in 2017 for consideration and adoption of the General Meeting of Shareholders.


 JOHAN NYVENE
 Chief Executive Officer