

Reaching Above and  
**Beyond...**

2008 ANNUAL REPORT



HO CHI MINH CITY  
SECURITIES CORPORATION

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## Reaching Above and Beyond...

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We are inspired by team dynamics. As when a flock of geese flies in a V-formation to attain the optimal flying formation and soars high in the skies.

Likewise, at HSC, we epitomise the Vietnamese spirit of teamwork, diligence and resilience as we reach above and beyond what we have achieved so far.

We believe in building a formidable team, embedding robust processes and leveraging technology to deliver differentiated services with best-in-class transparency and accountability.

Even in adversity – we strive ahead – as we are optimistic about the rapidly developing Vietnamese economy. As one of the industry’s leaders we strive to continue to be a driving force in Vietnam’s capital markets.

**Ours is a continual flight to attain excellence and beyond...**



## ...Beyond Expectation

Clients' needs are evolving and shareholders' expectations are more demanding. To stay competitive, businesses must strive to meet client satisfaction, differentiate their product offering, stay profitable and drive sustainable growth. At HSC, we take it one step further. We are determined to exceed the expectations of our clients and our shareholders by delivering more, faster, better, consistently and professionally.





## Professionalism

At HSC, the client is the driving force behind the way we work. We have brought on board the brightest minds in the industry and serve our clients with passion and accountability. Our understanding of client needs and our focus on professionalism has helped us to establish a strong track record in stock brokerage, corporate finance, research and treasury services.

## COMPANY OVERVIEW

Ho Chi Minh City Securities Corp. (HSC) is one of the leading and fastest-growing investment banking and brokerage service providers in Vietnam, servicing a comprehensive client base in one of the most dynamic economies and capital markets in Asia. Our clients comprises local and foreign investors, corporations, institutional investors, investment funds, government-owned companies, and individual investors.

Our core business lines in Institutional Brokerage, Personal-Client Brokerage, and Investment Banking are the pillars of our corporate structure, further powered by our large capital base and Treasury activities. Our capabilities in Research and Technology set us apart from other brokerage houses by providing powerful market insights to our clients and allowing us to process their trading orders with speed, precision and connectivity.

Formed as part of a strategic collaboration and investment from two major players in Vietnam's financial industry – Ho Chi Minh City Investment

Fund for Urban Development (“HIFU”, the City Government’s direct and indirect investment arm) under the HCMC People’s Committee – and UK-based Dragon Capital Group, HSC harnesses their combined heritage and expertise to provide a comprehensive suite of professional financial investment services. Since our establishment in 2003, several capital increases have secured our position as one of the securities companies in Vietnam with the strongest balance sheet, with registered capital of VND 394 billion (USD 25 million) and total shareholders’ equity of approximately VND 1.323 trillion (USD 76 million) as of December 2008.

As such, HSC is part of a large network of companies and organizations covering and supporting the main sectors that will be crucial for the future of the rapidly developing Vietnamese economy. A focused and proactive approach, combined with extensive knowledge and experience makes HSC one of the driving forces in Vietnam’s capital markets.



## CORPORATE VALUES

At HSC, we strive to be true to our corporate values, and to act on them in everything we do:

- High level of integrity – to build a high level of trust from our clients, investors and those in the securities business in Vietnam and beyond.
- High standard of work ethic – at all levels, our staff is committed to providing the best service to our clients, going the extra mile for our partners, and forging strong relationships with all our stakeholders.
- High level of professionalism – constantly developing and adopting best practices; upgrading our expertise and processes to execute all transactions in the best interests of our valued clients.



## OUR KEY BUSINESS FUNCTIONS



### Brokerage & Sales

- A full-service securities brokerage firm servicing individual, corporate and institutional clients offering the highest level of service and support, and tapping on synergies with our research capabilities and technological advantage.
- Established as a prominent broker in Vietnam, the team is looking outward with plans to extend distribution both locally and internationally.



### Research

- Research team provides full research coverage including the HSC Daily Market Watch report, company research, sector research and occasional strategy papers.
- Organise company visits, and host discussion forums whereby we invite industry leaders and top management from blue chip companies to HSC's trading floor to talk to investors face-to-face.
- Develop and provide a unique quantitative trading approach to the market which has been successfully tested and has drawn interest from a number of foreign institutional investors.



### Corporate Finance

- A full-service provider of Corporate Finance Services in Vietnam having spearheaded a number of major equitization initiatives involving the privatization of Government-owned corporations.
- Have attained a prestigious reputation as a leading investment bank in IPOs and subsequent issuance transactions in both debt and equity markets in Vietnam.



### Treasury

- Utilize strong capital base for underwriting activities, providing liquidity to investors as well as issuers, engage in market making.
- Amplify investors' long positions with margin capabilities.
- Have a clearly defined investment strategy to guide investment initiatives to utilize shareholders' equity prudently.

# Vietnam's Economic Overview



## **Macro-economy outlook – a soft landing**

Given the terrible state of the global economy, the only question is how soft the landing will be for Vietnam. With a very open economy where imports and exports combined account for 161% of GDP as of FY2008, the apparent collapse in global trade flows has the potential to hurt Vietnam. However signs are things won't be that bad.

Nonetheless with two months of data on hand, the situation suggests that Vietnam is in better shape than most other emerging economies.

### **Q1 GDP growth falls to 3.1% y/y**

Q1 GDP rose an estimated 3.1% y/y, less than half of the 7.4% seen in Q1 FY2008 and down from growth of 5.6% y/y in Q4, FY2008. The government is hopeful that this represents the low point in the current cycle and that Q2 GDP can bounce back to 4% y/y or so, and we would agree. Although this of course depends largely on whether we can see a bottoming out of the export sector which in turn would boost the manufacturing and agricultural sectors.

While soft loans may provide much needed working capital to help companies boost their output, there is still the question of where international demand stands. The recent depreciation in the VND is likely to be of more help in fact. Exports from Vietnam are very price sensitive.

Growth in the primary agricultural, forestry and fishery sector fell to just 0.4% y/y from the 2.84% y/y pace set in Q1 FY2008. The relatively weak rice harvest in both North and South combined with a poor coffee harvest earlier was largely to blame.

Then the combined construction and manufacturing sector saw growth drop sharply to just 1.5% y/y in Q1 FY2009 from the 8.15% y/y growth seen in Q1 FY2008. However within the sector there was a sharp contrast between the poor performance of the manufacturing sector which saw growth fall to just 0.3% y/y and the extraordinary performance of the construction sector which saw growth of 8% y/y, the best we have seen for about a decade.

The former is easy to explain and was expected given the negative y/y industrial production numbers we have seen so far this year. This has been driven by lower export demand coupled with a continued lack of access to credit. Core Q1 exports (excluding gold and crude oil) dropped more than 3% y/y from a year ago to just \$9.76 billion.

However the strength in the construction segment is harder to fathom having seen weakness there in the 2-H of last year. We do see some evidence of projects being restarted and construction material costs have fallen substantially prompting some companies to become more active. Even so this has us a little curious and we would like to investigate a little more and revert.

The service sector's Q1 performance was mixed with hotels & restaurants and financials showing weakness while other segments were quite robust. We have noticed that consumption as represented by retail sales has stayed fairly high, only partly due to the fact that's it's a lagging indicator for the economy.

In fact we think domestic consumption is being kept afloat by more deep rooted factors such as demographics and urbanization which as yet has not been derailed by large scale layoffs. But of course that could yet happen in the future.

All in all while Q1 GDP is a poor number by Vietnamese standards, the rest of the world would look on us with a degree of envy. Simply having positive Q1 growth is something of a rarity at the moment and supports our belief that the economy is coming in for a fairly soft landing.



## VIETNAM'S ECONOMIC OVERVIEW

For the full year HSC is forecasting growth of 4.4%, much lower than the government's official number of 6.5% (although it seems the unofficial target is now 5%). Given what we have seen we are fairly comfortable with our forecast and see no reason to change it for now. Even so our forecast assumes a 2-H recovery and GDP growth of 5.5% in both Q3 and Q4. For Q2 we see GDP growth of around 4%.

The IMF recently revised down its forecast from 5.5% to 4.75% due to the worsening economic outlook while the World Bank also adjusted its latest forecast down from 6.5% to 5.5% recently.

However recent stimulatory efforts ranging from a cycle of cuts in interest rates to soft loans and 10% or so depreciation in the currency on a nominal basis y/y have all served to put some floor on the economic activity for the moment.

This is important. With a very open economy where imports and exports combined account for 161% of GDP as of FY2008, the apparent collapse in global trade flows has the potential to hurt Vietnam very hard.

Nonetheless with three months of data on hand, the situation suggests that Vietnam is in better shape than most other emerging economies. We will talk more about this below.

Our forecast places us slightly at the lower end of the range of forecasts with the IMF and World Bank above us and the Economist Intelligence Unit (EIU) and CLSA forecast both well below us. The EIU which originally had a forecast of 4.3% has now cut that down rather savagely to just 0.3%.

With all due respect to them we feel the EIU are looking at Vietnam from thousands of miles away and fail to understand the dynamics of the local economy.

Our GDP number is underpinned by an expected 6% y/y growth for the manufacturing sector down from 8.5% previously. The quarter by quarter y/y growth numbers behind this forecast are (*Q1: 0.3%; Q2: 5%; Q3: 8% and Q4: 11%*). Manufacturing accounts for 26% of total GDP (FY2009e) and is closely correlated to both exports and industrial production (IP).

Both these indicators are now showing fairly sharp m/m and y/y declines since January and it looks like the manufacturing component of GDP will be under severe pressure until Q2.

Manufacturing growth in Q4 fell to a pace of just 6.6% growth y/y. Last year the manufacturing sector grew by 10.1% y/y and in the previous 8 years for which we have data grew an average annual compounded rate of around 11.7%. Weakness in industrial production which first materialized in October has become very pronounced in Q1 with a negative number.

Much of the damage is due to a very sharp drop in textile and footwear exports, a key manufacturing segment. However we note Q1 is traditionally the weakest quarter during the year and activity is always well down on Q4 so some recovery in Q2 is seasonal. Therefore we believe that Q1 has seen the bottom of the economy in GDP terms.

The key to any relative improvement of GDP in Q2 and also the full year will show up first in the monthly export and IP data releases. We need to see



some relative y/y improvement as soon as April if our 4.4% forecast is to be reached. We are helped a little bit by the fact that the y/y comparisons start to get easier from May onwards.

Behind the GDP and IP series of course lies the export data. The GDP data series is divided into three key segments; agriculture and fisheries; manufacturing and construction and lastly services. Of these the top and middle sectors; agriculture and fisheries, manufacturing and construction hold the key to total growth rates. These sectors all have a strong export component and this is where the GDP data series and the trade data series meet. IP is the bridge between the two.

To support our argument that Q1 saw the worst of the downturn we would point to the following. Exports are driven by two factors, demand (both export and domestic) and credit availability. In Q1 demand slowed and this was exacerbated by a serious lack of credit availability for working capital. Another important factor, commodity prices fell dramatically in the 2-H of FY2008 although we have seen a mild recovery of late.

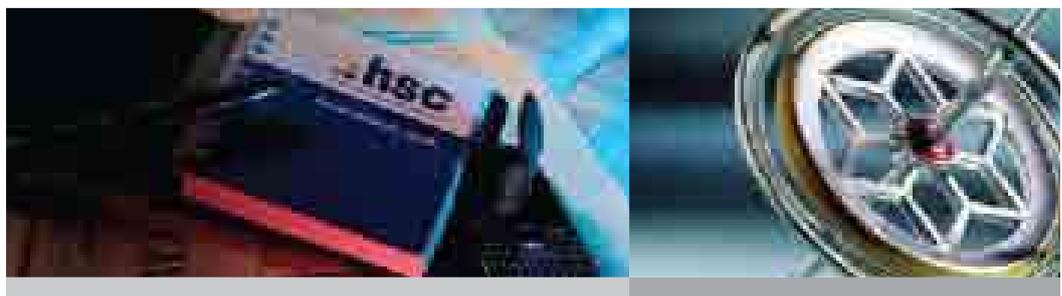
Since then the credit shortage has eased due to the availability of soft loans. This helps companies get access to affordable working capital. And the currency depreciation in Q1 has made Vietnamese exports about 2% more affordable. And with the improvement in commodity prices there are clear signs that demand for about 40% of Vietnamese exports has improved. That's the average weight of commodities in our exports. And as long as commodity prices remain higher than they were at the year-end, we will see a Q2 improvement in our exports.

However, given the 3.1% pace in the first quarter, we think hitting the government's new unofficial year-end target of 5% may be tough. It means that GDP growth from Q2 on an annualized basis cannot be less than 5%. This calls for a very swift recovery and while we think 4.4% is feasible on a mild 2-H recovery anything above that would be a stretch.

One other reason for the relative resilience of the economy is the interplay between the official economy which is captured by the data and the unofficial or black economy that is not. We catch glimpses of this sometimes for example in terms of the amount of gold (about US\$15-16 billion) that is held outside the banking system. And there are many other hints to suggest that this unofficial economy may be 25-50% the size of the official economy.

Simply by better data capture and improved surveying techniques it would be relatively easy to show stronger GDP growth in Vietnam. And that's an important factor. In fact we suspect that part of the GDP growth dynamic every year is due to segments of the unofficial economy being captured by the official data for the first time.

In a year like FY2009, this effect should not be underestimated. This effect can be explained by companies growing organically and becoming too big to hide or simply by improved data capture. Of course it's impossible to measure this effect but we would like to at least acknowledge it.



## THE FINANCIAL SECTOR AND SECURITIES INDUSTRY IN VIETNAM



### **Stock Market Outlook**

**FY2008 was bad but we have seen the bottom already in Q1, FY2009.**

We have now just entered the third year of our bear market. The VN-Index topped out at 1,170.67 on the 12 of March, FY2007. And fell 78% to the low of 235 in February FY2009. Since then however we have seen a remarkable rally in the past few weeks that has taken the market up almost a hundred points as we went to press.

The market has staged a 36% recovery from the February low of 235 to about 320 or so on the VN-Index. This is the first time we have seen a strong run in the VN-Index since last summer. More importantly the market has broken through the 50 and 100 day moving averages for the first time since last July. That has made institutions sit up and take notice. Foreigners have become heavy net buyers of equities for two weeks.

The current rally began when retail investors started to buy low priced, small & mid capital issues a few weeks ago. Foreign investors stayed largely on the sidelines until we broke through the 50 day moving line the week before last. This triggered a few session of heavy foreign buying especially in blue chips. And retail investors have periodically taken profits on the way up. All signs of a healthy rally.

At this time, market leaders have risen more than 50% from the lows and the entire market has conducted a full movement (where all market sectors move higher, even the laggards). We have seen rotational buying from low priced issues and then a shift into blue chips. So what sparked the rally and is it sustainable?

Vietnam is a typical momentum driven market. For any rally to succeed it must attract buyers fairly quickly. And this time market volumes have more than trebled and speculators have returned. To explain why we must look at the push and pull factors behind it. Firstly the equity market with a forward P/E below 10 in late February looked quite attractive for investors. And with a steady almost unbroken decline since last October, the market was looking

heavily oversold. Then we saw a marked change in the diet of news being fed to investors. January and February saw an unbroken stream of bad news which dampened sentiment.

However, in recent weeks this has given way to a slightly more optimistic tone. The implementation of various stimulus measures; an aggressive round of interest rate cuts; a steady depreciation in the currency to put a floor under exports; and better corporate news all helped to lift the market's mood. Companies which announced unaudited results for the first two months of the year in general had good news to tell.

These included some issues such as REE which were placed on the HOSE watch list after they announced losses for FY2008. And then in Q1 they are expected



## THE FINANCIAL SECTOR AND SECURITIES INDUSTRY IN VIETNAM

to make a profit again. After a long market decline, a change in news flow from very negative to slightly less negative is usually sufficient to trigger a market rally. And that's what happened on this occasion. Those were the pull factors.

As for the push factors, other asset classes have lost their way recently. The Vietnamese gold market has been quite choppy recently and this may well have encouraged some capital flows from there to the equity market. The gold market has an inverse relationship with equities and towers over it in daily turnover and liquidity. In some ways, the gold market in Vietnam plays the role similar to that played by money market funds in other more developed markets.

Money runs there in times of trouble (in preference to bank deposits). A shift out of gold is a sign of increasing investor confidence and a return of risk appetite. That's what we have seen.

In addition, the bond market has fallen since February with a sharp upward spike in yields. Yields hit a low of 8.46% in early February and quickly reversed direction to move up above 9.5% recently.

Bonds are where insurance companies and banks park a substantial portion of their balance sheets. And recent declines coupled with the belief that the interest rate cycle is about to bottom out will have made them slightly nervous about bonds. This makes them think of diversifying their risk and maybe buy some equities.

In terms of sectors, the basic materials and utilities sectors have led the market higher. Apart from the usual suspects such as SSI and KLS, other bell weather issues such as PPC, BVS, REE and FPT have also been market leaders. Traditionally, stocks have been driven by a range of factors; perceived value based on low times par value; the price of a particular stock having fallen a lot; short term market themes and then coordinated efforts to move certain issues higher. Absent among these by and large has been any regard for fundamentals, either earnings or P/E and P/B valuations. That's changing.

In the past year, we notice that earnings stories have begun to attract attention amongst more investors and can now be included amongst important stock drivers. Judging by the swarms of investors



that attend AGM's or investor presentation the eagerness to embrace or learn about fundamentals is definitely there. But it is just one amongst several factors that drives the market (which frankly is true everywhere).

So is this rally different to last summer's and can it prove to be the turning point of the bear market or is it just another trading rally on the way down?

After two years, the bear market has certainly lasted long enough. That alone should normally suggest that something may be afoot. Valuations have also becoming more reasonable if not absolutely cheap. In our Top 30 company earnings model, we see forward P/E at 12.9xs and historic P/B at 1.7xs.

And while we are not yet at the bottom of the earnings cycle, we see this as fairly close to trough earnings valuations. Net profits having declined 10.4% last year (HOSE aggregate) are also expected to decline further this year. For our TOP 30 model, we expect net profit decline of 2.8% y/y in FY2009.

Some may wonder why the forecasts call for such a mild drop. Aggregate earnings for the top listed companies in Vietnam do not yet reflect the broader economy as cyclical industries are not well represented amongst the large cap stocks. In addition, non recurring items such as interest expenses and the performance of stock portfolios are huge swing factors for many companies.

This means that the financial segment of the P&L can often drive earnings rather than core operations. And this year with subsidized loans for many companies and perhaps no stock loss provisioning this year, these are powerful offsetting forces to the expected drop in operating profitability.

A bear market needs bad news to fuel it on the way down; and with an expected soft landing for the economy and without a further major decline in profits this year, the bad news seems to be slowly running out.





## ...Beyond Boundaries

Changing market landscape, globalization and market volatility are major challenges for business leaders, across all industries and regions. At HSC, we recognize that there are no easy answers or fast-fixes to the current economic challenges. We choose to look beyond the basic and strive to outperform our competitors by pursuing a strategy centered on long term sustainable growth.





## Growth

We are ambitious to take our business to a higher level, which we will. We are determined to make significant gains in market share, which we must. Operating in one of the most dynamic markets in the world and driven by our passion to excel, HSC is well-positioned to grow into a leading investment banking, securities and investment management company in Vietnam, and beyond.

## MESSAGE FROM THE MANAGEMENT TEAM



### HSC'S BOARD OF MANAGEMENT

*from left to right:*

**PHAM MINH PHUONG** *Deputy CEO, Managing Director and Head of Treasury*

**JOHAN KRUIER** *Managing Director and Head of Institutional Brokerage and Sales*

**TRINH HOAI GIANG** *Deputy CEO, Managing Director and Head of Investment Banking*

**JOHAN NYVENE** *Chief Executive Officer*

**FIACHRA MAC CANA** *Managing Director and Head of Research*

**HA THANH TO** *Managing Director and Head of Personal-Client Brokerage and Sales*

## Reaching above and beyond

Dear Shareholders, Customers,  
Business Associates, and Colleagues

### The cornerstones of our foundations

Thinking forward is a state of mind that is both necessary and difficult to achieve at this juncture in this market environment, given everything that all of us have been through in the last twelve months. Indeed it is quite challenging to think forward even after we had already seen the VN-Index drop 73% from its peak by the end of 2008, and has further declined by 25% at its lowest point year to date in 2009. But in HSC's case over the last twenty months from the time the new management team assumed control at the firm, thinking forward was a mindset required for us to part with the past and to get to where we are today.

Notwithstanding the volatile economic environment and adverse business conditions in 2008, for us it was a year of continued reconstruction and re-establishment of HSC's foundations. After a radical overhaul of our management team and corporate structure in 2007, we have further rebuilt strong foundations of our corporate composition, and enhanced our business competitiveness with robust infrastructures of human resources and technologies. We have also re-established internal check and balance processes and tightened up operational and accounting procedures. The internal controls we have achieved in the last twenty months have projected HSC into a separate class of securities service providers, when risks and operational transparencies are still perceived to be significant concerns in this emerging market environment.

### The pillars of our business capabilities

Our corporate foundations are the ground on which the pillars of our core business lines in Institutional Brokerage, Personal-Client Brokerage, and Investment Banking are built. Our stature as a top brokerage house was tremendously challenged by an increasing number of new securities firms setting up shop in 2007 and 2008. As a result of both a more competitive business environment and internal restructuring issues, we lost market shares in 2007 when our total market share declined to an average of only 3.5%. Turning the firm around in 2008, we successfully rebuilt much of our original market shares and reached an average of 4.5% for the year despite competing in a more crowded market with more than 100 securities firms. This re-established foothold secured HSC a place among the top 5 securities firms in the country, measured by total market shares.

Over the course of re-establishment, we have distinguished ourselves as one of the few brokerage houses that have strong capabilities in both Personal-Client and Institutional brokerage. On the Personal-Client side, our pioneering achievement was the establishment of our Personal-Client Centers in both Ho Chi Minh City and Hanoi. HSC's Personal-Client Center is an ultra modern brokerage concept and is the first of its kind in Vietnam whereby our Personal clients are served in a professional and comfortable environment with face-to-face contact with our professional brokers and aided by tick-by-tick trading information at their fingertip. High-tech has been the main theme of our Personal-Client Brokerage services given the critical element of speed required by Retail customers. We had a complete technology overhaul beginning in 2007 and finished in 2008. To ensure a high level of synergy in our technology tools, we installed a fully integrated suite of securities brokerage systems, including front office and back office trading platforms (G2F & G2B), a real-time trading information software platform (VIS), and an internet trading platform (Vi-Trade), catering to Retail investors.

The ultimate result of this investment in technology was the successful establishment of our Direct Market Access (DMA) linkage with the Ho Chi Minh City Stock Exchange, which is measured by how fast our customers' trade orders are processed by the Exchange. We are proud to claim that our customers' orders are now always among the first to reach and be processed by HOSE. This advantage will make a significant difference to investors when there is time-sensitive volatility and lack of liquidity in the markets.

Our Institutional Brokerage services, powered by Research capabilities, are well known to both domestic and international institutional investors. In 2008, we completed building a full Research team and quickly became a dominating force in the market with the largest and most experienced team of analysts. Our HSC Daily Market Watch is currently the only report of its kind reaching institutional investors every day. Besides daily market reports, company reports and sector reports, we also produce strategy papers, organize company visits, and host discussion forums whereby we invite industry leaders and top management from blue chip companies to HSC's trading floor to talk to investors face-to-face. These extra activities have generated a

## MESSAGE FROM THE MANAGEMENT TEAM

rave review among investors and led a following even among other securities firms. Despite market downturns both in Vietnam and overseas, we were successful in signing up major institutional investors in 2008, and conducted a number of large size negotiated deals or private placements during the year in both equity and debt markets. By measures from the exchanges we have secured our position as one of the top three brokerage houses to foreign institutional investors, with an estimated market share between 12-15%.

In 2008, we changed the course of our Investment Banking business, by establishing a sales division, to make deals by taking advantage of HSC's high profile in the traditional equitization advisory services, and of our diverse international institutional customer base as well as an established contact base with Vietnamese corporations. Over a short period in 2008, we have built a healthy deal flow in the pipeline despite the challenging investment environment. We continue to see inquiries and potential opportunities in various industry sectors. We expect 2009 to be a year of opportunities for the buy side as expectations and reality are much more in line with one another, and capital requirement is still significant in this part of the world where growth is still forecast to be positive. On the IPO advisory side, the "crash" of the markets in 2008 scared off many potential IPO and listing candidates and there were not many transactions in the year. We were one of the very few firms to secure major deals like Van Dien Fertilizer in 2008, and successfully advised high profile names like Phong Phu Textile Co. and Sowatco (Southern Waterborne Transport Corp.) to equitize. Besides equity, in 2008 HSC also strengthened our bond capabilities and successfully underwrote an issuance by Vietnam Development Bank. This is a government policy bank and the transaction was carried out during a period of tremendous interest rate volatility in the country, and it was a vote of confidence for our bond capabilities.

### **The strength of our capital base**

HSC's three business pillars are further powered by our large capital base and Treasury activities. After an additional 19,463,400 shares were issued in early 2008, our total shareholders' equity more than doubled from VND 649 billion to VND 1,323 billion. With this capital size, HSC has become one of the highest capitalized securities firms in Vietnam, and this is one of the most significant advantages we enjoy over others

in the industry, especially during the turbulent financial weather of 2008 and in the aftermath of it. Our capital power carried HSC through a very difficult 2008 after we recognized tremendous opportunities in the debt market, and locked in a sizeable portion of our capital base with high yield risk free government bonds. We had built up a bond portfolio of more than VND 1 trillion by the end of 2008 which comprised of mostly Treasury bonds and Vietnam Development Bank bonds with yields from 12% to 22% (average portfolio yield was 15%) and the remaining duration from 1 to 15 years. The result of this action afforded us a net profit for 2008, and although it was a modest return for our capital base, it allowed us to pride ourselves for our market savvy and to publicize our name as one of the few profitable securities firms in Vietnam in 2008. In addition to the bond profit realized in 2008, our bond portfolio is still worth over VND 1 trillion, which makes up 70% of our total assets, and carries an average yield of 350 bps above the current central bank base rate. This is also the basis on which our financial targets for 2009 are prudently and realistically forecast.

Part of the strategy in our expansion of the capital base is to use our capital resources to support business activities. Besides underwriting both equity and debt issuance transactions in the primary markets, we also aim to carve out a portion of our capital to engage in market making and support the liquidity of sales transactions in the secondary markets for both Institutional and Retail customers. With HSC's technology and market know-how fully supporting margin trading, we envision that our margin products will truly enhance HSC customers' trading liquidity once the concept is recognized and authorized by the regulators.

We must however, come to terms with the difficulties HSC faced on the side of equity investment in 2008 as we were not exempted in a market that lost 66% of its value last year. Our treasury portfolio in equity was valued at VND 625 billion at the beginning of 2008 and ended the year at VND 229 billion in market value. Throughout 2008, we made net losses of VND 40 billion from realized positions, and made further provisions of VND 158 billion for our equity portfolio. The mistake of underestimating market forces and not reacting in a timely manner was costly to us and to our shareholders and for that we must express the most profound apologies to our shareholders. The lessons we have learnt in 2008 are painfully valuable but have prompted us to adopt a

different and much more prudent investment strategy as we aim to take advantage of inherent opportunities in a bottomed out market this year.

**The bottom line and looking ahead**

The challenges and market forces of 2008 resulted in a modest bottom line of VND 23.5 billion for the year which translates into earnings of VND 601 per outstanding share. To compensate for this under performance of 2008, our Board of Directors has decided to carve out a part of the retained earnings from 2007 in order to pay out a total 10% dividend (VND 1,000 per share) for the fiscal year of 2008. 70% of this 2008 dividend had been advanced to our shareholders in 2008 and the remaining 30% will be paid out after our annual shareholders’ meeting in April 2009.

While the outlooks for 2009 are still full of challenges and potentially with elements of surprises, we have set our course clear and straight for 2009 with the ultimate aim to achieve the following goals in an order of “investment and return”:

1. To perfect our risk management infrastructure and protect shareholders’ capital.
2. To further expand our presence and market share to secure the top three positions in the industry.
3. To achieve viable profitability and increase shareholders’ value.

The fast changing economic and business environment has prompted us to revise our annual operating plan for 2009 a few times but we have built a firm operating plan with a target for us to achieve bottom line profits of VND 123 billion for 2009. This translates into earnings of more than VND 3,100 per share and we are confident that our capabilities and efforts will allow us to deliver this result to our shareholders.

We have received an in-principle approval decision from the authorities for HSC to list on the Ho Chi Minh City Stock Exchange. We continue to pursue this endeavor, and are at the final stage of updating our prospectus and other information to HOSE as at the time of this report, with the aim to obtain formal approval in May 2009 at the latest. Although the listing of HSC on the Ho Chi Minh City Stock Exchange will open a new chapter in our corporate history, we have been a public company since inception six years ago and are strongly

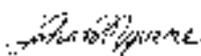
confident that HSC is already operating and performing above and beyond the fundamental requirements of a listed company. We strongly believe that HSC’s listing on HOSE will add significant values to shareholders and further enhance the HSC brand value.

Even through the most trying moments in the current economic environment, the confidence prevails that Vietnam will continue on its course of growth and prosper, albeit at a slower pace. The capital markets and securities markets will prevail as the back bone of this growth economy and we at HSC are confident that opportunities for growth are tremendous in Vietnam’s future. We are also fully confident that HSC is well positioned to grasp these growth opportunities, above and beyond today.

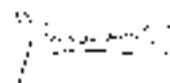
We could not have overcome the challenges of the past without the support and commitment from our shareholders, colleagues, and customers. We may not be able to realize our aspirations and ambitions for 2009 and beyond, without engaging and involving all of our stakeholders. For this, we would like to express our most sincere appreciation for your continued understanding and support. For this, we vow to commit to our relentless effort, and to make your investment in HSC a worthy one.

31 March, 2009

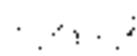
HSC’s Board of Management:



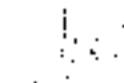
**Johan Nyvene,**  
*Chief Executive Officer*



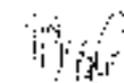
**Johan Kruimer,**  
*Managing Director and Head of Institutional Brokerage and Sales*



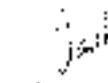
**Trinh Hoai Giang,**  
*Deputy CEO, Managing Director and Head of Investment Banking*



**Fiachra Mac Cana,**  
*Managing Director and Head of Research*



**Pham Minh Phuong,**  
*Deputy CEO, Managing Director and Head of Treasury*

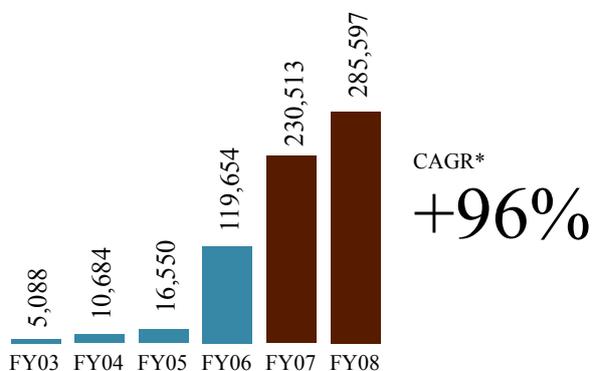


**Ha Thanh To,**  
*Managing Director and Head of Personal-Client Brokerage and Sales*

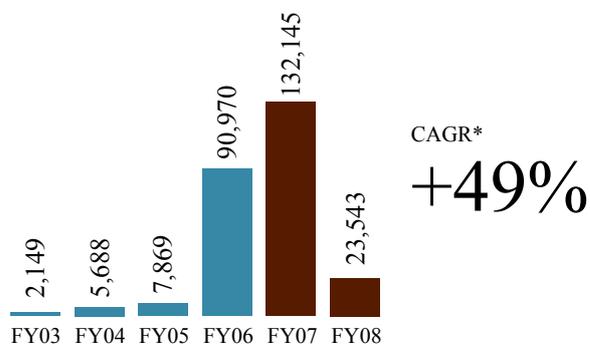
## FY2008 Key Highlights

	Y2003	Y2004	Y2005	Y2006	Y2007	Y2008
<b>Statement of income</b>						
<b>(VND million)</b>						
Revenue	5,088	10,684	16,550	119,654	230,513	285,597
In which:						
- Brokerage and sales	99	509	706	7,650	33,517	28,972
- Principal investment	926	7,932	12,380	103,033	174,179	150,418
- Investment banking	1,396	1,182	2,054	2,897	3,543	6,136
- Credit income	-	-	457	4,886	13,301	36,606
- Interest income	2,667	1,061	953	1,188	5,973	63,465
Operating expenses	2,915	3,328	10,065	18,313	50,275	71,931
Provision for diminution of stocks	-	-	-	-	32,082	190,121
Operating profit	2,173	7,356	6,485	101,341	148,156	23,545
Extraordinary profit/(loss)	(24)	(1,668)	1,872	(135)	(58)	(2)
Profit after tax	2,149	5,688	7,869	90,970	132,145	23,543
<b>Balance sheet</b>						
<b>(VND million)</b>						
Total assets	54,297	76,123	200,748	389,953	1,322,158	1,479,210
Shareholders' equity	52,149	56,318	62,094	160,881	649,443	1,323,448
<b>Financial indicators</b>						
Return on equity (ROE)	4%	10%	13%	57%	20%	1,78%
Return on assets (ROA)	4%	7%	4%	23%	10%	1,59%
<b>Equity's Value</b>						
Number of shares	5,000,000	5,000,000	5,000,000	10,000,000	20,000,000	39,463,400
Earning per share	430	1,138	1,574	9,097	10,718	601
Book value per common share	10,430	11,264	12,419	16,088	32,472	33,536
Dividends	280	800	1,300	1,300	1,500	1,000

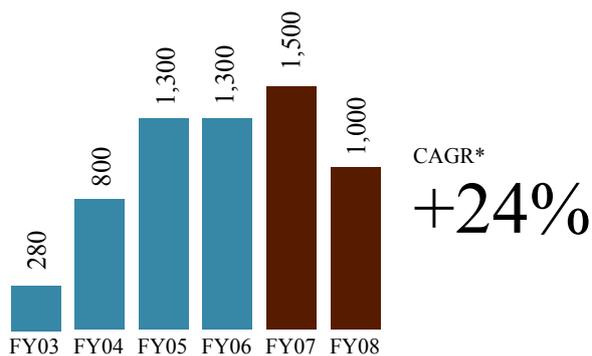
Revenue (VND million)



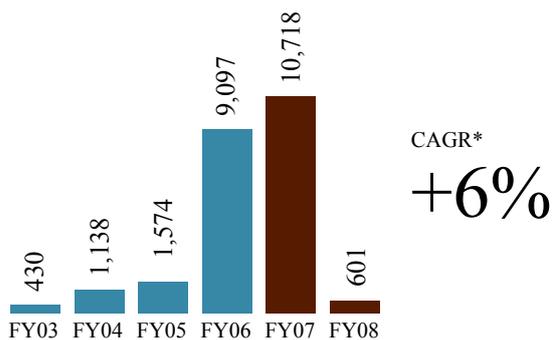
Net Profit After Tax (VND million)



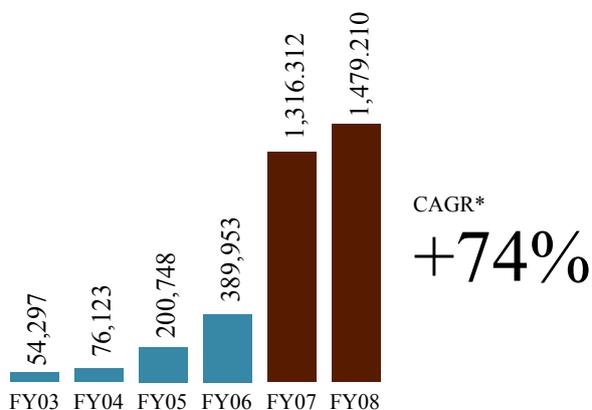
Dividend Per share (VND)



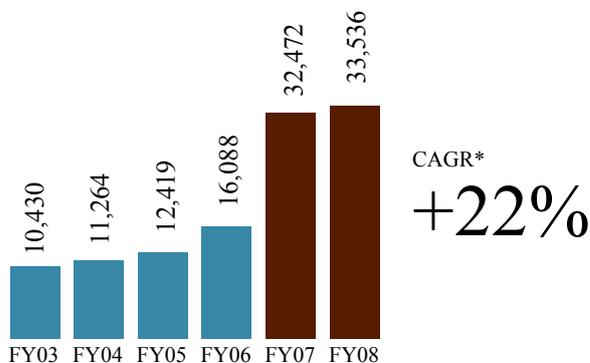
Earning Per Share (VND)



Total Assets (VND million)



Book Value Per Common Share (VND)



CAGR\*: 6-year compounded annual growth rate.



## ...Beyond Knowledge

In today's dynamic market-place, knowledge is critical to a company's ability to make differentiated offers to their clients. Knowledge is also a key driver of operational effectiveness and business efficiency. At HSC, we invest in people and technology to translate our knowledge into expertise and help us build a distinctive advantage in the industry.





## Expertise

Inspired by our corporate values, we constantly develop and adopt best practices, and continuously upgrade our expertise and processes to help us serve our clients better. We developed strong capabilities in both Personal-Client and Institutional Brokerage, powered by our investment in Technology and our expertise in Research. Our team of experts in corporate advisory services also successfully conducted a number of high-profile deals in both the debt and equity markets despite the downturn.

## HSC's Business Capabilities



HSC has strong capabilities in both Institutional and Personal-client brokerage, empowered by our business synergies in technologies, research and risk management. We have also enhanced our capabilities in Investment Banking services by establishing a professional sales team to leverage HSC's successful track record in the traditional equitization advisory services, and tap on our diverse and extensive network of Vietnamese and international institutional customer base. Our differentiated value-added business capabilities in Institutional brokerage, Personal-client brokerage and Investment Banking form our three business pillars as we continue to explore new growth opportunities and expand our business scope.

## HSC'S BUSINESS CAPABILITIES

### Brokerage and Sales

#### Institutional Clients

Research is the key driver and differentiator of our Institutional Brokerage service. With the full Research team now in place, we have the largest and most experienced team of analysts in the industry.

With our strong research capabilities, we are able to provide our institutional clients with useful insights on the economy, market and sectors through the daily reports, company reports, sector reports and strategy papers. Currently, our HSC Daily Market Watch is the only report of its kind reaching institutional investors everyday.

Like everyone else, HSC could not escape the punitive impact of the market crisis. Backed by a team of experienced foreign and local analysts, some of whom have gained valuable experience from prior financial turmoil in Asia and other parts of the world, we are able to develop a long-term strategy built upon expertise and sound risk-management structure.

Despite the market downturn, we are able to triple our client base and double our market share over the past 18 months to become one of the top five brokerage houses in the institutional sector, and one of the top three brokerage houses to foreign institutional investors.

We will continue the strengthening of HSC's corporate foundations, and set new standards of corporate governance through the introduction of robust processes and procedures.

In 2009, we will diversify our activities in Institutional Brokerage services to provide additional investment options to our local and foreign institutional clients. More importantly, we will focus on our core competencies in research capabilities to drive further gains in market share.

#### Personal Clients

HSC's Personal-Client Brokerage and Sales have been a dominating force in our business since inception. We have the advantages of being an early market participant with an established brand name and a good market share in the personal clients market. Ranked in the top five firms in the country in terms of personal clients' market share, HSC has evolved over the years to meet the investment needs of a more sophisticated class of personal investors, evidenced by the analytic tools and technologies, research capabilities, and instantaneous market access we provide, while maintaining the human touch and experience. HSC's service model for the sophisticated personal investor comprises of three value-adding components: Information, Access, and Service, which are in turn delivered by our Research capabilities, advanced Technologies, and experienced and dedicated Brokers.



## Brokerage and Sales

The superiority of our trading technologies includes a fully integrated engine which consists of a core trading system, a real time trading information system, and an internet based online trading system. All of our systems are built and maintained by AFE, a subsidiary of Thomson Reuters. Our advanced technologies facilitate trading Information and Access through VIS, a real time tick-by-tick trading data terminal which is used by brokers in more sophisticated overseas markets like Hong Kong. We provide clients access to VIS through the set up of our HSC Personal-Client Centers at both Ho Chi Minh City Head Office and Hanoi branch. Access to VIS is also available at all our transaction offices and order placing agencies.

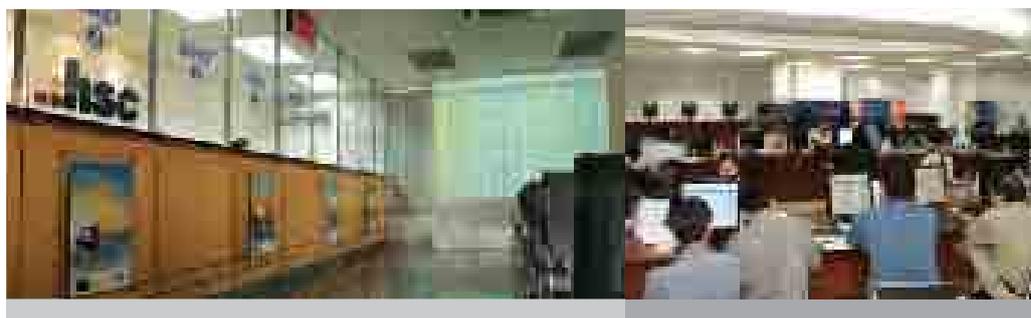
Instantaneous access to the markets is aided by our G2F platform, which is used by all our brokers and agents, and connected to the Ho Chi Minh City Stock Exchange via Direct Market Access. Direct Market Access is also available online via our integrated Vi-Trade internet trading platform, whereby remote trade orders are placed by investors directly to the Exchange and processed by the Exchange and confirmed back to investors within a split second.

HSC is the only brokerage firm in the market who employs the Personal-Client Center concept whereby direct and interactive brokerage advisory services to personal clients are provided by our brokers on the floor of our Personal-Client Centers, complimented

by the VIS information terminals and the OPT order placement terminals. Personal clients who are interested in trading gold via accounts at the Vietnam Gold Business (VGB) can also place orders at HSC counters throughout the day.

HSC's state-of-the-art technology is fully programmed to provide margin accounts to personal customers and our ample capital resources are also reserved to aid personal clients' margin trading activities when the concept is recognized and guided by the authorities. Besides conventional margin trading capabilities, repurchased contracts (repos) also accept selective OTC equities and are available to selective accounts. In addition to our own capital resources, our partnership with commercial banks also avail other credit products like stock mortgaging or collateralized accounts to enhance personal investors' trading capacities.

Ancillary services, including Custody, Shareholders' Book Management, IPO Auction Bidding, and OTC Brokerage complete the comprehensive suite of HSC's Personal Clients' services. With the development of Vietnam's financial and capital markets and our customers' increasing level of sophistication and requirement, we aim to add further products, services, and capabilities, and to become a financial "once stop shop" to the Personal investors in the future.



## Investment Banking / Corporate Finance

### Advisory and Added Services

As part of the Investment Banking Division, HSC Advisory service has established a strong track record of excellence in the Vietnamese capital markets. Using a customer centric approach, HSC provides Vietnamese companies not only transactional advisory service but focuses on providing a Client Solution that supports the client's long-term strategy. The client strategy is tailored made and evolves to adapt to the changing business environment.

The Client Solutions approach, coupled with our unique heritage has helped HSC to be one of the first securities firm to participate in the financial restructuring of State Owned Enterprises. In addition, HSC has been a pioneer in terms of Advisory services, having advised the listing of the first Vietnamese commercial bank to be listed on the HOSE and the underwriting and issuance of the first convertible bond to be listed on the HOSE.

HSC's Corporate Advisory team focuses on the following:

- **Equitization Planning** – assisting State Owned Enterprises convert to private companies.
- **Initial Public Offering Advisory (IPO)** – advising on the conversion of private companies to publicly held companies, including the auctioning of shares.
- **Listing Advisory** – advising on the exchange listing of public companies onto the HOSE or HASTC.
- **Business Valuation** – company valuation and project valuation services, including project feasibility studies and evaluation.
- **Financial Restructuring Advisory** – advising on capital restructuring and recapitalization of firms.

To build upon the success of our Corporate Advisory capabilities, in 2008, HSC established its Private Equity Advisory service as a value added service to target pre – listed and private companies which are looking for an alternative to public offerings. Private Equity Advisory provides a specialized transactional advisory service that focuses on the needs of middle market and unlisted firms.

HSC's Private Equity Advisory team specializes in the following:

- **Buy – Side Advisory:** advising buyers of strategic primary stakes in Vietnamese companies:
  - Deal organization
  - Market access reports
  - Due diligence
  - Transaction execution
- **Sell – Side Advisory:** advising Vietnamese companies that are seeking strategic buyers of primary offerings:
  - Capital restructuring
  - Due diligence preparation
  - Strategic growth planning
  - Negotiation preparation
  - On-going negotiation support



## Investment Banking / Corporate Finance

Each stage in a company's lifecycle requires different solutions and different types of advice. By combining both Corporate and private Equity Advisory services, HSC is able to support Vietnamese companies and projects by providing an adaptive Client Solution from green field projects to companies that are market leaders. Whether it is debt, equity, or hybrid funding that is required, HSC Advisory service will ensure that our clients are receiving the appropriate type of financing for their plans of development and growth.

### Capital raising and placement capability

Capital shifts are common in the global markets with investors chasing larger returns while trying to navigate the right balance between risk and return. To meet this challenge, HSC not only provides solid financial advice to our clients but we have to ensure that we are the best in execution.

HSC supports our client's capital raising requirements, whether debt, equity or a combination of both, through different channels including domestic public auction and private placement.

Our private placements capabilities have been built up alongside our Private Equity Advisory practice and allow are clients to a broader pool of capital, including:

- Foreign investment funds
- International investment banks
- Family fund offices
- Wealthy individuals
- Global Multinational corporations

By building upon our institutional Brokerage client base, we help to support our clients by extending their reach beyond the traditional geographical borders of Vietnam. Not only does this provide the necessary growth capital for building a business, but also brings in international experience and expertise.

### Underwriting capability

As a commitment to our clients both corporate and investors, HSC aligns its interest alongside both to ensure that the partnership and investment is successful. Using our strong balance sheet, we seek credit worthy Vietnamese corporations with high growth business models where we can underwrite a portion of the company's debt or equity and sell the remaining portions through public auction or private placement.

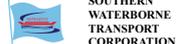
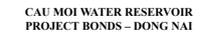
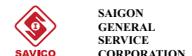
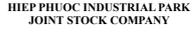
### Network and contact base

Our client Solutions approach to investment Banking enables us to maintain contact with clients on a regular basis irrespective of whether there is a transaction or not. This approach allows us to keep abreast of changes in a particular industry and keep clients updated on the changing conditions of the capital markets.

With the simultaneous growth of the potential investor base through the Institutional Brokerage team and Private Equity team, we are positioning ourselves to be the bridge in which domestic companies can access international investors and vice versa.



# HSC's Deal Highlights

 <p><b>PHONG PHU CORPORATION</b></p> <ul style="list-style-type: none"> <li>▶ Equitization Advisor</li> <li>▶ Auction</li> <li>▶ Year: 2008</li> <li>▶ Chartered Capital: <b>VND500bn</b></li> </ul>	 <p><b>SOUTHERN WATERBORNE TRANSPORT CORPORATION</b></p> <ul style="list-style-type: none"> <li>▶ Equitization Advisor</li> <li>▶ Auction</li> <li>▶ Year: 2008</li> <li>▶ Chartered Capital: <b>VND670bn</b></li> </ul>	 <p><b>MAP PACIFIC VIETNAM</b></p> <ul style="list-style-type: none"> <li>▶ Corporate Convergence Advisor</li> <li>▶ Valuation</li> <li>▶ Issuance Advisor</li> <li>▶ Year: 2007</li> <li>▶ Chartered Capital: <b>VND80bn</b></li> </ul>	 <p><b>BONG SEN CORPORATION</b> HOTEL, RESTAURANT, TOURISM, TRADING</p> <ul style="list-style-type: none"> <li>▶ Valuation</li> <li>▶ Equitization Advisor Auction</li> <li>▶ Year: 2004 - 2005</li> <li>▶ Chartered Capital: <b>VND230bn</b></li> </ul>	 <p><b>HDBank HOUSING DEVELOPMENT BANK</b></p> <ul style="list-style-type: none"> <li>▶ Issuance Advisor</li> <li>▶ Year: 2007-2008</li> <li>▶ Chartered Capital: <b>VND1,550bn</b></li> </ul>
 <p><b>FIDECO FOREIGN TRADE DEVELOPMENT &amp; INVESTMENT CO.</b></p> <ul style="list-style-type: none"> <li>▶ Issuance Advisor &amp; Underwriter</li> <li>▶ Equities &amp; Convertible Bonds Placement Agent</li> <li>▶ Year: 2007 - 2008</li> <li>▶ Chartered Capital: <b>VND124bn</b></li> </ul>	 <p><b>ANPHA SAIGON PETROLEUM JSC</b></p> <ul style="list-style-type: none"> <li>▶ Issuance Advisor</li> <li>▶ Listing Advisor</li> <li>▶ Year: 2007 - 2008</li> <li>▶ Chartered Capital: <b>VND210bn</b></li> </ul>	 <p><b>BINH CHANH CONSTRUCTION INVESTMENT SHAREHOLDING COMPANY</b></p> <ul style="list-style-type: none"> <li>▶ Issuance Advisor</li> <li>▶ Listing Advisor</li> <li>▶ Year: 2007 - 2009</li> <li>▶ Chartered Capital: <b>VND542bn</b></li> </ul>	 <p><b>DOMESCO MEDICAL IMPORT EXPORT JSC</b></p> <ul style="list-style-type: none"> <li>▶ Issuance Advisor</li> <li>▶ Underwriter</li> <li>▶ Year: 2005</li> <li>▶ Chartered Capital: <b>VND138bn</b></li> </ul>	 <p><b>CAU MOI WATER RESERVOIR PROJECT BONDS - DONG NAI</b></p> <ul style="list-style-type: none"> <li>▶ Project Bonds Underwriter</li> <li>▶ Placement Agent</li> <li>▶ Year: 2005</li> <li>▶ Registered Capital: <b>VND243.8bn</b></li> </ul>
 <p><b>FI HO CHI MINH CITY INFRASTRUCTURE INVESTMENT FUND</b></p> <ul style="list-style-type: none"> <li>▶ Equities &amp; Convertible Bond Issuance Advisor</li> <li>▶ Underwriter</li> <li>▶ Listing Advisor</li> <li>▶ Year: 2006 - 2007</li> <li>▶ Chartered Capital: <b>VND500bn</b></li> </ul>	 <p><b>SAVICO SAIGON GENERAL SERVICE CORPORATION</b></p> <ul style="list-style-type: none"> <li>▶ Listing Advisor</li> <li>▶ Year: 2006</li> <li>▶ Chartered Capital: <b>VND250bn</b></li> </ul>	 <p><b>HCMC INVESTMENT FUND FOR URBAN DEVELOPMENT</b></p> <ul style="list-style-type: none"> <li>▶ Valuation</li> <li>▶ Sales Agent of State's shares</li> <li>▶ Municipal Bond Underwriter</li> <li>▶ Year: 2004 - 2008</li> <li>▶ Chartered Capital: <b>VND2,000bn</b></li> </ul>	 <p><b>THU DUC HOUSE JOINT STOCK COMPANY</b></p> <ul style="list-style-type: none"> <li>▶ Issuance Advisor</li> <li>▶ Underwriter</li> <li>▶ Listing Advisor</li> <li>▶ Year: 2006 - 2008</li> <li>▶ Chartered Capital: <b>VND252bn</b></li> </ul>	 <p><b>LIBERTY GROUP (SAIGON TOURIST)</b></p> <ul style="list-style-type: none"> <li>▶ Valuation</li> <li>▶ Equitization Advisor</li> <li>▶ Auction</li> <li>▶ Year: 2004</li> <li>▶ Chartered Capital: <b>VND240bn</b></li> </ul>
 <p><b>SAIGON THUONG TIN COMMERCIAL JOINT STOCK BANK</b></p> <ul style="list-style-type: none"> <li>▶ Listing Advisor</li> <li>▶ Year: 2006</li> <li>▶ Chartered Capital: <b>VND5,155bn</b></li> </ul>	 <p><b>HIEP PHUOC INDUSTRIAL PARK JOINT STOCK COMPANY</b></p> <ul style="list-style-type: none"> <li>▶ Valuation</li> <li>▶ Equitization Advisor</li> <li>▶ Year: 2004 - 2007</li> <li>▶ Chartered Capital: <b>VND60bn</b></li> </ul>	 <p><b>NO. 5 CONSTRUCTION INVESTMENT JSC</b></p> <ul style="list-style-type: none"> <li>▶ Issuance Advisor</li> <li>▶ Listing Advisor</li> <li>▶ Year: 2007 - 2008</li> <li>▶ Chartered Capital: <b>VND104bn</b></li> </ul>	 <p><b>BINH MINH PLASTICS JSC (BMP) DA NANG PLASTICS JSC (DPC)</b></p> <ul style="list-style-type: none"> <li>▶ Issuance Advisor</li> <li>▶ M&amp;A Advisor</li> <li>▶ Year: 2008</li> <li>▶ Chartered Capital: <b>BMP: VND169.6bn DPC: VND22.37bn</b></li> </ul>	 <p><b>VAN DIEN FUSED MAGNESIUM PHOSPHATE COMPANY</b></p> <ul style="list-style-type: none"> <li>▶ Valuation</li> <li>▶ Equitization Advisor</li> <li>▶ Auction</li> <li>▶ Year: 2008 - 2009</li> <li>▶ Chartered Capital: <b>VND192bn</b></li> </ul>
 <p><b>GLOBAL CYBERSOFT VN LTD. CO.</b></p> <ul style="list-style-type: none"> <li>▶ Corporate Conversion Advisor</li> <li>▶ IPO Advisor</li> <li>▶ Listing Advisor</li> <li>▶ Year: 2008 - 2010</li> <li>▶ Chartered Capital: <b>VND17bn</b></li> </ul>	 <p><b>TDC BINH DUONG TRADE AND DEVELOPMENT TRADE JSC (TDC)</b></p> <ul style="list-style-type: none"> <li>▶ Issuance Advisor</li> <li>▶ Year: 2008</li> <li>▶ Chartered Capital: <b>VND100bn</b></li> </ul>	 <p><b>SROKPHUMIENG-IDICO</b></p> <ul style="list-style-type: none"> <li>▶ IPO Advisor</li> <li>▶ Auction</li> <li>▶ Year: 2007</li> <li>▶ Chartered Capital: <b>VND450bn</b></li> </ul>	 <p><b>HAU GIANG PHARMACEUTICAL JSC</b></p> <ul style="list-style-type: none"> <li>▶ Auction</li> <li>▶ Year: 2004</li> <li>▶ Chartered Capital: <b>VND200bn</b></li> </ul>	

## HSC's Business Synergies



Giải Pháp  
Tối Ưu  
Cho Giao Dịch  
Trực Tuyến



Our Technological capabilities allow us to serve our clients and process their trading orders with speed, precision, connectivity and convenience which are elements that make a significant difference to investors in today's time-sensitive volatility. Our Research capabilities provide useful and powerful insights into the economy, market, sectors and companies to our clients, which allow them to analyze the opportunities and risks and make informed decisions on their investments.

## Technologies

### Network infrastructure

HSC's current network system is designed and configured to the guidelines of Cisco. The LAN system incorporates the standardized multi-layer stack that ensures Gigabit data transfer speed from PC to the switch and the access servers, with back-up components for all the core switches. In order to support our operations, ensure connectivity with Hanoi Securities Trading Center, provide internet access to the offices and facilitate maintenance of the network, HSC deploys a variety of fiber-optic cabling, leased-line, and multiple high-bandwidth ADSL connections from a number of service providers (VNPT, FPT, VIETTEL) to ensure uninterrupted connectivity.

The branch offices are connected to head office through the North-South data transfer channel, which is secured with dual connections provided by the two leading internet service providers in Vietnam, VDC and FPT. Connectivity with HOSE (Ho Chi Minh City Stock Exchange) and the banks are also set up with load balancing architecture of dual connections from two different service providers.

Comprising standardized devices, HSC's network is reliable and highly secured to mitigate the risk on HSC's business in the event of disruptions to any of the connections.

Besides the stable and reliable network, HSC also equipped its head office and branch offices with state-of-the-art Call Center system from Siemens. The VoiceIP-enabled Call Center system is expandable to 10,000 users and more than 80 lines through an interface with the E1 trunk gateway. Supported by an advanced and functional communication system, HSC is always ready to make outgoing calls and receive incoming calls from clients.

The Call Center, supported by Siemens' HiPath ProCenter system, enables HSC to process client's orders through telephone, and record the calls to facilitate tracking and follow up of the orders.

The investment in an integrated Server system comprising more than 20 powerfully-configured IBM servers, enables simultaneous running of multiple applications, and ensures uninterrupted access to the database.

Data storage and back-up are carried out according to schedule to ensure that important data is routinely backed up and secured.

### Application of Information Technology

To improve servicing and performance, HSC introduced the BisNews "G2" software – a trading system for professional investors developed by AFE Solutions Limited (Hong Kong), a subsidiary of Thomson-Reuters Group. AFE's integrated solutions allow HSC to process the trading orders with speed and best execution performance. The



integrated system comprises a professional order management module able to process 100,000 orders a day, an online portfolio management module which can process up to 10,000 trading accounts simultaneously, and a securities settlement module. The integrated system also helps HSC to manage our operations given the diversity of currency, language, and market (bond market, listed and unlisted equity market).

The integrated system is one of the most advanced in the market. It is linked with Ho Chi Minh City Stock Exchange (HOSE), and trading orders are sent at real-time that provides cash and stock holding information update to the investors. Operating on the Java platform, this integrated trading system can be migrated across regions, which is one of the key factors that help HSC to deploy our securities brokerage team at different locations.

The Vi-trade internet trading system is built on the trading system platform, with similar features and benefits. Vi-trade also provides investors with value-added services such as: price alert, market update, stock information...

Along with the advanced trading system, HSC also implemented a securities settlement module that facilitates automatic and accurate payment settlement. The settlement module is customized to allow HSC to serve the clients in the shortest time. Based on the Hong Kong market settlement system, and with the various modules integrated into the system, it can be easily adapted for use. In addition,

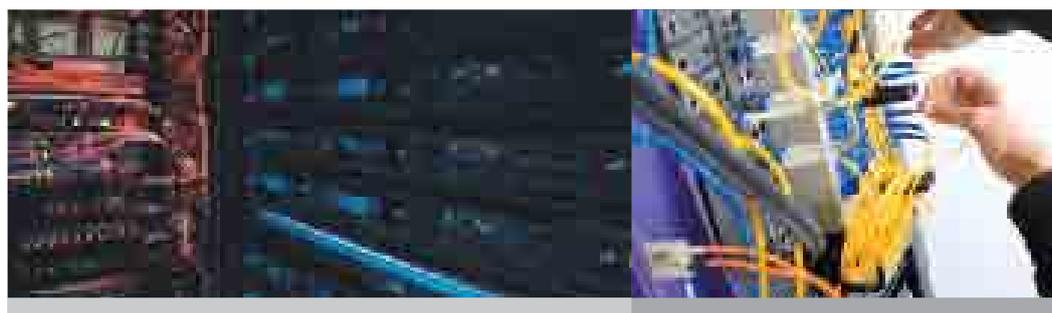
the settlement module is consistent with the Sun Systems' International Accounting System, which minimizes the risk of errors during the process of data entry and generating reports.

We also introduced real-time trading information system, based on the software platform of AFE, Hong Kong. HSC is one of the first companies providing investors with such real-time trading information. With these tools, investors are able to obtain real-time information on market transactions, stock prices, and updated news such that up-to-date risk management can be achieved.

HSC also developed a network solution to support its internal operations. The internal network solution comprises the SharePoint integrated information gateway developed on the Intelligent Business platform to improve management effectiveness. This is a major breakthrough in management process and is expected to support HSC's growth in the future.

## Research

Currently HSC boasts a research team of ten sector analysts and two technical analysts based both in HCMC and Hanoi. The team provides comprehensive market coverage broken down by key sectors. We look to cover the top 50 listed and about 25 OTC stocks with rated reports and detailed earnings models.



Our approach to research is based on rigorous fundamental analysis of both key market sectors and individual companies. This bottom up approach is then supplemented by a top down point of view provided by the strategist and technical analyst adding a perspective on market timing and trend analysis.

This holistic approach enables the investor to gain a good understanding of the underlying fundamentals of a stock whilst also appreciating the demand and supply forces driving stock prices in the market. This is especially important in an emerging market where lack of transparency and poor access information has led to momentum trading styles that at times bears little relation to fair valuations. HSC seeks to arm the investor with the necessary information and analysis to make an informed judgment.

HSC has an impressive database built up over almost two years covering all major sectors and the top 100 companies. This database covers sector demand models, individual company complete financial models and a host of background information including all newspaper articles dating back 2 years.

HSC research analysts come from a wide variety of backgrounds including auditing, market research and corporate. This mix enables us to view companies from a variety of perspectives and achieve synthesis.

HSC research department places great importance on building a good earnings model and gaining a good understanding of the quality and strategic capability of management in the companies we follow.

We believe that the best companies are first and foremost to be identified by excellent leadership which in turn can deliver superior performance year in and year out. Identifying these companies and helping our investors to understand them better is a part of our mission.

Fundamental analysis is one part of the equation. We also have technical models that enable us to identify market entry and exit points using bid & offer, market breadth and other technical indicators to help us predict market turning points. These models have been back-tested for a number of years and have been actively used since early last year with great success.

### **Product offering - Reports**

HSC offers a comprehensive product range of company reports, sector reports, technical reports and a strategy monthly.

### **Company Reports**

The company report will be a 15-25 page report with a complete earnings model with forward numbers giving a detailed analysis of a listed or OTC company and its business environment. This report will be rated and will initiate formal coverage on a stock.



The report will focus on key areas such as forward earnings potential and financial health, management capabilities, business explanation and environment. The earnings model will contain three years forward numbers plus historical data as far back as we can go. We will also project out the balance sheet and cash flow.

We look to publish four to five in-depth company reports every month. We will concentrate on liquid large capital issues in either the Hanoi or Ho Chi Minh markets plus some of the larger and more interesting OTC stocks.

### Sector Reports

The sector report will be a 50-75 page report introducing a sector and the key companies to investors. The sector report will cover key sectors in the market and will cover the business, legal and economic environment in which the sector operates. We will focus on key sectors with above average growth.

### Technical Reports

We also publish a daily technical report with analysis of market movers, relative sector performance. The report will also include chart analysis of key stocks. This will give investors an overview of what is happening in the engine room of the market so to speak.

### Strategy Reports

HSC will also publish a monthly strategy report, a top down look at the economy, market and other developments to keep investors in touch. The report will also give comment and analysis on topical issues and offer a sample index basket.

## Risk Management & Internal Compliance

HSC established an Risk Management Board to oversee market exposure, issue guidelines on investment limits, provide oversight on investment activities, and set direction for the investment portfolio. Value of proprietary investments is audited annually. The internal control and compliance framework is formulated based on the principles of compliance with the securities and other applicable laws, as well as risk management and compliance policies, procedures and functions, with details as follows:

- Reviews compliance with policies, procedures and controls of various departments, identify non-compliance and recommends corrective actions and process improvement.



- Reports personal transactions of employees to prevent conflicts of interests affecting investors;
- Reviews the monthly financial report to ensure fair representations and adequate records, and an accurate, fair and timely disclosure of financial information.
- Ensures that corporate policies, procedures and controls are clearly communicated to all employees, and requires everyone to sign off and commit to comply with the policies, procedures and controls.
- Conducts daily, weekly and monthly reviews on compliance with the policies, procedures and controls in order to identify cases of non-compliance or inadequate compliance.
- Notifies cases of non-compliance or inadequate compliance to relevant departments or individuals to ensure that timely corrective actions and other administrative requirements (if any) are carried out.
- Conducts monthly review to analyze, assess and monitor the overall risk management together with the Board of Management and other related persons such that risks, issues and root causes of inadequate controls can be identified.

Subsequently develops check-and-balance controls to mitigate risks, and limits exposures to human errors.

- Conducts continuous review and improvement of the internal control system to ensure effectiveness, legality and prudence in the operation and management of the company, therefore enhances our reputation in the market and ensures that assets of investors are well secured.

The Internal Compliance Department reviews the corporate policies, procedures and controls and reports directly to the Board of Management. Policies, procedures and controls are disseminated company-wide through the corporate policies, investment guidelines, underwriting policies, and internal accounting controls. Trading limits are controlled by the Brokerage Operations Department and the trading software system.

As part of their oversight role, the Internal Compliance Department also supervises the formulation of corporate policies, procedures and controls that apply to all business activities of the company. The Internal Compliance Department also reviews and recommends policies to ensure legal compliance with applicable laws and promote honest and ethical conduct.





## ...Beyond Trust

Even in times of uncertainties, it is still clear that the world is looking beyond the balance sheet. It is about integrity, sustainability and values of the company. At HSC, we are mindful that our progress towards excellence has to go hand in hand with our responsibilities to ensure a strong risk management structure and a set of principles based on trust, reliability, accountability and integrity.





## Integrity

At HSC, success without integrity is considered to be a failure. We have taken positive steps to ensure transparency through internal check and balance processes and robust operational and accounting procedures. Our focus on integrity and transparency sets us apart from the other securities service providers, and at the same time, helps us define ourselves in the interest of our clients, our shareholders and the industry.

## BOARD OF DIRECTORS



### **MS. NGO KIM LIEN**

*Chairwoman, Board of Directors*

After completing her education from Ho Chi Minh City University of Finance, Ms. Ngo Kim Lien worked at Ministerial Department of Finance of Ho Chi Minh City. In early 2007 when she was then Deputy Director of Department of Finance, Ms. Lien was officially designated as General Director of Ho Chi Minh City Investment Fund for Urban Development (“HIFU”) by the People’s Committee of Ho Chi Minh City. Ms. Lien was appointed as Chairwoman of HSC Board of Directors on 30/06/2007. She made significant contributions to the company in corporate leadership and strategic direction which led to HSC becoming one of the leading brokerage houses in Vietnam.

### **MR. DO HUNG VIET**

*Deputy Chairman*

Mr. Do Hung Viet was Fund Manager of HIFU from 1998 to 2002, where he was one of the active members of the HSC Establishment Operating Committee. After HSC was officially established, Mr. Viet held the position of Director of the company from 2003 to 2006. Appointed as permanent Deputy Chairman of the Board of Directors since middle of 2006, Mr. Viet directly oversees and supervises the operations of the company. His education in law and economics, and his vast experience on the stock market since inception has provided Mr. Viet with the expertise required in those key positions that he held at HSC. He was educated in law from Saigon University of Law from 1972 to 1975. He graduated in Banking- Remittance from University of Economics in 1977, and completed a Bachelor of Business Administration degree at Ho Chi Minh City University of Economics in 1995.

### **MR. LE ANH MINH**

*Deputy Chairman*

Mr. Le Anh Minh was a Fullbright research fellowship alumni. He graduated with a Bachelor degree at Banking University, and completed his post-graduate studies at Wharton Business School, University of Pennsylvania, USA. He started his career in 1991 at Peregrine Capital, where he completed the receivership and restructuring of a local commercial bank (Dai Nam Bank) with a year. Between 1994 to 1996, he provided oversight to the business development and credit departments in his capacity as Deputy General Director of Dai Nam Bank. After completing his Master’s degree, he returned to Vietnam and worked as Finance Director of Coca-cola Southeast Asia for four years. He joined Dragon Capital Group as a director in 2002, accountable for financial responsibilities of the Group.

*from left to right:*

**MR. JOHAN NYVENE** *Member*

**MR. LE ANH MINH** *Deputy Chairman*

**MR. NGUYEN QUYET CHIEN** *Member*

**MR. DO HUNG VIET** *Deputy Chairman*

**MR. HOANG DINH THANG** *Member*

**MR. PHAM NGHIEM XUAN BAC** *Member*

*sitting:*

**MS. NGO KIM LIEN** *Chairwoman, Board of Directors*

**MR. JOHAN NYVENE***Member*

Mr. Johan Nyvene was educated in Finance at Philadelphia University and La Salle University in Philadelphia, Pennsylvania, US. After 9 years with First Union Bank (Wachovia) in the US, he held a number of senior positions in HSBC Bank in Vietnam from 1998 to 2007. Mr. Nyvene joined Dragon Capital Group in 2007 as a director following a 17-year career in corporate and institutional banking. He became CEO and Board member of HSC in 2007. Mr. Nyvene also served as a board governor of the American Chamber of Commerce, where he contributed to improving the banking system and financial environment in Vietnam's investment opportunities to foreign investors.

**MR. NGUYEN QUYET CHIEN***Member*

Mr. Nguyen Quyet Chien has worked in the areas of investment and finance for nearly 20 years. Mr. Chien completed and obtained his Ph.D Degree in Business Administration from Ho Chi Minh University of Economics in 2003. He has held the position of Director of Planning and Administration at Ho Chi Minh City Infrastructure Corporation since 2006. Mr. Chien held the positions of Chief Accountant and Planning Manager at a number of companies. He was Head of Finance & Securities Committee of HIFU from 1997 to 2001. Appointed as a member of the HSC Board of Directors since inception, Mr. Chien has progressed in tandem with the company. Mr. Chien has consistently shared his knowledge with colleagues in other functions with shared objectives of supporting one another's management responsibilities.

**MR. HOANG DINH THANG***Member*

Mr. Hoang Dinh Thang was appointed as a member of the HSC Board of Directors on 30/06/2007. Mr. Thang has been Planning Manager of HIFU since 1997. Between 1990 to 1993, he was Deputy Investment Manager of Lisin Company. Mr. Thang obtained his Ph.D Degree in Economics at Central Asia Economics Institute, Taskent, (former) Soviet Union, trained in investment consulting, bidding and project management. His expertise in Economics and experience working with foreign partners has helped him in his work as well as his role as a member of the Board.

**MR. PHAM NGHIEM XUAN BAC***Member*

Mr. Pham Nghiem Xuan Bac graduated in automotive engineering at Moscow Engineering Institute, (former) Soviet Union in 1984. He completed a post-graduate program at Moscow Intellectual Property Law Institute, (former) Soviet Union in 1985. After that, he furthered his studies and obtained a Bachelor of Law degree at Hanoi Law University in 1995. To further improve his management capabilities, Mr. Bac completed and obtained a MBA degree at Henley Management University in London in 2001. Mr. Bac has been General Director of Vision & Associates since 1999. Prior to that, he held the positions of Legal Expert at Patent Bureau of Ministry of Science and Technology, Deputy Chairman and First Deputy General Director, Lawyer at InvestConsult Group in Vietnam. With rich experience working in key positions in the legal field over 24 years, Mr. Bac made significant contributions to HSC since inception in areas related to legal compliance.

**HSC'S AUDIT BOARD**

HSC's Audit Board is elected by General Assembly of Shareholders with five - year term including following 3 members:

**MR. VO VAN CHAU***Chief of Audit Board*

Mr. Vo Van Chau is the Chief of Audit Board cum General Director of Orient Commercial Joint Stock Bank.

**MR. DOAN VAN HINH***Member of Audit Board*

Mr. Doan Van Hinh is a Member of Audit Board cum Chief Financial Officer of Saigon Co.op Investment and Development Company.

**MS. NGUYEN THI THANH VAN***Member of Audit Board*

Ms. Nguyen Thi Thanh Van is a Member of Audit Board cum Chief Executive Officer and General Director of Tu Luc company.

Authorities and main Responsibilities of Audit Board are:

- Supervising Board of Directors and Board of Management in management and operation of company's business activities.
- Checking the legality, practicality, integrity, prudence in management and operation of company's business activities; in accounting organization and financial report making.
- Petitioning for solutions of amendment, supplement, improvement of organizational management structure and operation of company's business activities.
- Being responsible to the General Assembly of shareholders in implementing assigned tasks.

## BOARD OF MANAGEMENT



**1. MR. JOHAN NYVENE** *Chief Executive Officer*

Educated in Finance at Philadelphia University and La Salle University in USA. Built an illustrious 17-year career in corporate and commercial banking career in the US and Vietnam at Wachovia Bank, HSBC Bank and Dragon Capital Group before joining HSC as CEO in 2007.



**2. MR. TRINH HOAI GIANG** *Deputy CEO, Managing Director and Head of Investment Banking*

Educated in I.T at Technology University and Finance at HCM City University of Economics. Started his career at Vietcombank and nominated for the prestigious Fullbright Programme. Obtained MBA at Thunderbird, US. Was corporate finance director of Dragon Capital Group before joining HSC. A member of Vietnam Bond Market Forum.



**3. MR. PHAM MINH PHUONG** *Deputy CEO, Managing Director & Head of Treasury*

Educated in Economics at HCM City University of Foreign Trade. Started his career at PETEC Investment & Trading Company. Obtained dual Master degrees in business administration and finance at Bentley University, Boston. Resumed career at HIFU holding senior positions across different functions and projects before joining HSC.



**4. MR. JOHAN KRUMER** *Managing Director and Head of Institutional Brokerage & Sales*

Educated in Free University of Amsterdam with a Master of Finance & Investment degree. More than 20 years stock brokerage experience in Europe and Asia. Held senior positions at Pacific Basin Invest ABN-AMBRO, Krediet Bank Luxembourg, and established Asian Pacific Partners at Amsterdam before joining HSC.



**5. MR. FIACHRA MAC CANA** *Managing Director and Head of Research*

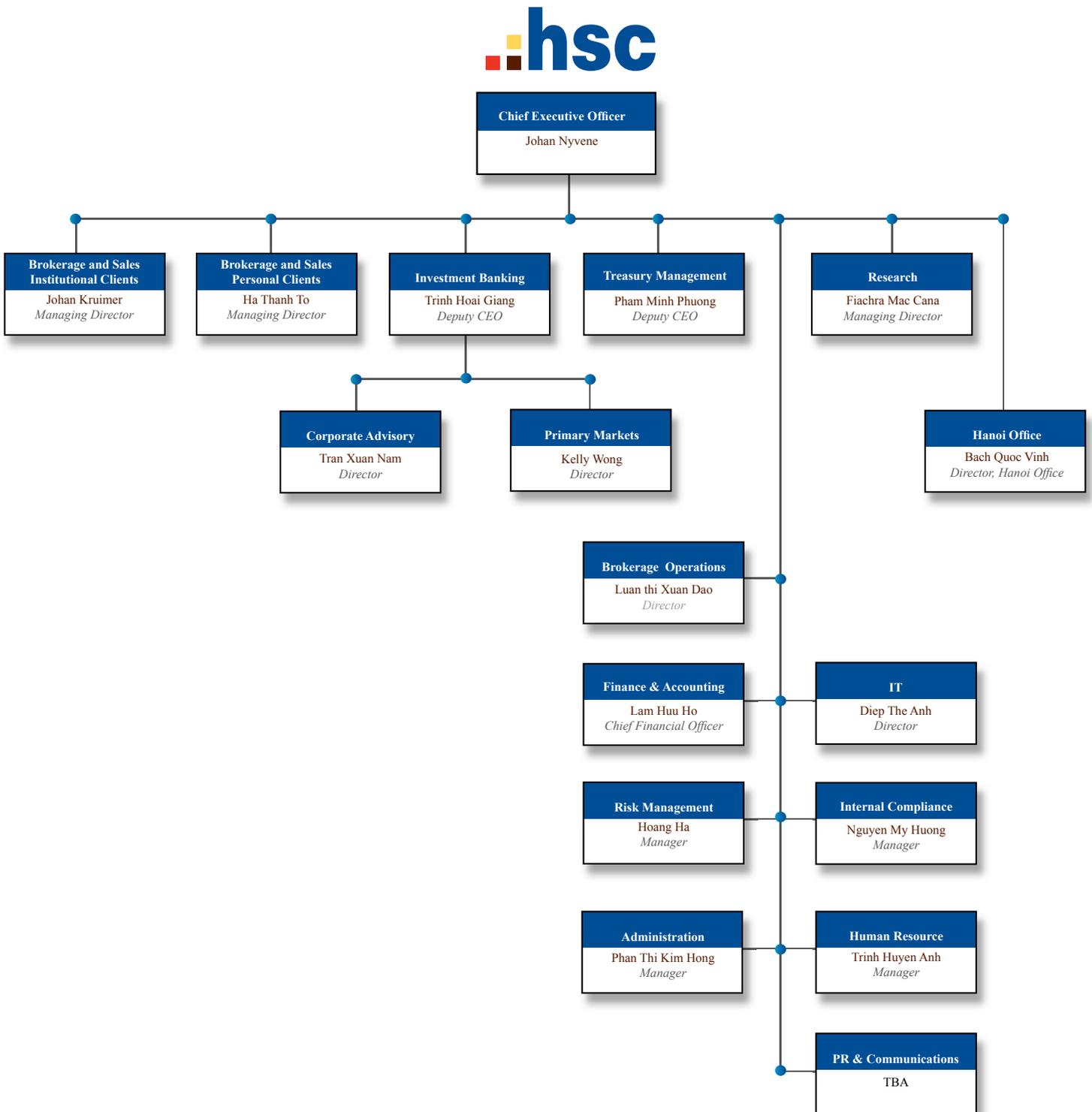
Educated in Commerce at University College, Dublin. Strong track record with 18 years of experience in investment banking in London and Tokyo, co-founded JCN Network, and directed research departments of WestLB, VinaCapital and VinaSecurities before joining HSC. Listed as one of the top 15 Japan strategists by Asia Money in 2003.



**6. MR. HA THANH TO** *Managing Director and Head of Personal-Client Brokerage & Sales*

Obtained his MBA from Columbia Southern University. Bi-lingual in Chinese and English. Started his career at Zurich Financial Services Group. Strong track record in client service and business development and held senior positions at Bao Minh-CMG Life Insurance, Groupama Insurance, International SOS and Tan Viet Securities before joining HSC.

# ORGANIZATIONAL CHART





## ...Beyond Today

Look Beyond Today - that's the clarion call to seek out opportunities, innovate and re-position oneself in a constantly evolving world to emerge better, and stronger. At HSC, we recognize that our future growth depend on dedicating ourselves to the needs of our clients. We are also aware that our future is built upon our corporate foundations, core values and expertise, and driven by our commitment to excellence.





## Commitments

In chaos, opportunity emerges. After a challenging 2008, we look forward to the opportunities ahead as the market realigns itself to reality. The future looks bright for Vietnam, one of the most promising and rapidly developing economies. When the market stabilizes in the coming months, HSC will be there, ready and committed to help Vietnamese companies and foreign investors capitalise on the opportunities that emerge.

# Financial Statements

For the year ended 31 December 2008

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# 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  
130/UBCK/-GPDCCCTCK 9 June 2008

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

## Board of Directors

Ms. Ngo Kim Lien	Chairwoman
Mr. Do Hung Viet	Deputy Chairman
Mr. Le Anh Minh	Deputy Chairman
Mr. Nguyen Quyet Chien	Member
Mr. Johan Nyvene	Member
Mr. Pham Nghiem Xuan Bac	Member
Mr. Nguyen Huu Thanh	Member (submitted the resignation letter on 17 February 2009)
Mr. Hoang Dinh Thang	Member

## Board of Management

Mr. Johan Nyvene	Chief Executive Officer
Mr. Trinh Hoai Giang	Deputy Chief Executive Officer
Mr. Pham Minh Phuong	Deputy Chief Executive Officer
Mr. Johan Kruimer	Managing Director
Mr. Fiachra Mac Cana	Managing Director (from 1 March 2008)
Mr. Ha Thanh To	Managing Director (from 3 November 2008)

## Ho Chi Minh Head Office

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

## Hanoi Branch

6 Le Thanh Tong, Hoan Kiem District, Hanoi  
Vietnam

## Auditors

KPMG Limited  
Vietnam

# Report of the Board of Directors

The Board of Directors of Ho Chi Minh City Securities Corporation (“the Company”) presents its report and the Company’s financial statements for the year ended 31 December 2008.

## THE COMPANY

Ho Chi Minh City Securities Corporation is a joint stock company incorporated in Vietnam on 29 April 2003.

The principal activity of the Company are to conduct securities brokerage activities, securities trading activities, securities investment advisory, securities underwriting and securities custodian services.

The registered office of the Company is located Level 1-2-3, Capital Place Building, 6 Thai Van Lung Street, District 1, Ho Chi Minh City, Vietnam.

## THE BOARD OF DIRECTORS AND BOARD OF MANAGEMENT

The following are the current Directors of the Company during the year:

<b>Board of Directors</b>	Ms. Ngo Kim Lien	Chairwoman
	Mr. Do Hung Viet	Deputy Chairman
	Mr. Le Anh Minh	Deputy Chairman
	Mr. Nguyen Quyet Chien	Member
	Mr. Johan Nyvene	Member
	Mr. Pham Nghiem Xuan Bac	Member
	Mr. Nguyen Huu Thanh	Member (submitted the resignation letter on 17 February 2009)
	Mr. Hoang Dinh Thang	Member

The following are the current Members of Board of Management of the Company during the year:

<b>Board of Management</b>	Mr. Johan Nyvene	Chief Executive Officer
	Mr. Trinh Hoai Giang	Deputy Chief Executive Officer
	Mr. Pham Minh Phuong	Deputy Chief Executive Officer
	Mr. Johan Kruimer	Managing Director
	Mr. Fiachra Mac Cana	Managing Director (from 1 March 2008)
	Mr. Ha Thanh To	Managing Director (from 3 November 2008)

## AUDITORS

The auditors, KPMG Limited, Vietnam, have expressed their willingness to accept re-appointment.

# Report of the Board of Directors

## STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the financial statements, prepared 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, of each financial year which give a true and fair view of the state of affairs of the Company and of its results and cash flows for the year. In preparing those financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

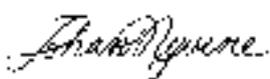
The Board of Directors is also responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the requirements of Decision No 99/2000/QD-BTC issued by the 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. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirm that they have complied with the above requirements in preparing the financial statements.

## APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as of 31 December 2008 and of the related statements of income, changes in equity and 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.

On behalf of the Board of Directors



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**JOHAN NYVENE**

*Member*

Ho Chi Minh City, Vietnam



**KPMG Limited**  
10<sup>th</sup> Floor, Sun Wah Tower  
115 Nguyen Hue Street  
District 1, Ho Chi Minh City  
The Socialist Republic of Vietnam

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Fax +84 (8) 3821 9267  
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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders Ho Chi Minh City Securities Corporation

#### Scope

We have audited the financial statements of Ho Chi Minh City Securities Corporation ("the Company") as of 31 December 2008 and for the year then ended in accordance with Vietnamese Standards on Auditing, from which the summarised financial statements on pages 50 to 80 were derived. In our audit report dated 31 March 2009 we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

#### Audit opinion

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the period and of the scope of our audit, the summarized financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report thereon.

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**KPMG Limited**  
Vietnam  
Investment Certificate No: 011043000345  
Audit Report No: 08-01-345A

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John T. Ditty  
CPA No. N055/KTV  
*General Director*

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Tran Dinh Vinh  
CPA No. 0339/KTV

Ho Chi Minh City, 31 March 2009

# Balance sheet

## At 31 December 2008

	Code	Note	2008 VND	2007 VND
<b>ASSETS</b>				
<b>A- CURRENT ASSETS AND SHORT-TERM INVESTMENTS</b>	<b>100</b>		<b>424,512,702,959</b>	<b>1,258,228,252,546</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>134,722,054,635</b>	<b>581,787,772,199</b>
Cash on hand	111		406,867,526	360,070,207
Cash in banks	112		23,727,647,638	525,068,874,756
Cash from customers relating to securities transactions	114		110,587,539,471	56,358,827,236
<b>II. Short-term securities investments and other short-term investments</b>	<b>120</b>		<b>228,911,645,777</b>	<b>625,242,395,173</b>
Trading securities	121	5	369,171,202,766	390,158,215,112
Short-term investments	123	6	60,376,745,140	267,166,238,600
Allowance for diminution in the value of trading securities	126	5	(189,549,554,129)	(32,082,058,539)
Allowance for short-term investments	126	6	(11,086,748,000)	
<b>III. Accounts receivable</b>	<b>130</b>	<b>7</b>	<b>57,521,033,068</b>	<b>49,576,690,615</b>
Other receivables	137		79,088,229,791	49,576,690,615
Allowance for doubtful debts	138		(21,567,196,723)	
<b>IV. Other current assets</b>	<b>150</b>		<b>3,357,969,479</b>	<b>1,621,394,559</b>
Advances	151		206,761,874	637,488,522
Prepaid expenses	152		2,543,001,944	983,906,037
Short-term deposits	156		608,205,661	

## Balance sheet

### At 31 December 2008

	Code	Note	2008 VND	2007 VND
<b>B - FIXED ASSETS AND LONG - TERM INVESTMENTS</b>	<b>200</b>		<b>1,054,696,973,332</b>	<b>63,930,459,294</b>
<b>I. Fixed assets</b>	<b>210</b>		<b>14,901,978,332</b>	<b>6,185,293,113</b>
Tangible fixed assets	211	8	7,794,520,395	5,725,174,348
<i>Cost</i>	212		12,702,454,983	8,178,303,094
<i>Accumulated depreciation</i>	213		(4,907,934,588)	(2,453,128,746)
Intangible fixed assets	217	9	7,107,457,937	460,118,765
<i>Cost</i>	218		8,645,993,297	1,510,854,020
<i>Accumulated amortization</i>	219		(1,538,535,360)	(1,050,735,255)
<b>II. Long-term securities investments and other long-term investments</b>	<b>220</b>		<b>1,029,296,669,128</b>	<b>45,834,206,793</b>
Long-term securities investments	221	10	1,029,296,669,128	45,834,206,793
<b>III. Construction in progress</b>	<b>230</b>	<b>11</b>	<b>804,730,462</b>	<b>3,576,409,109</b>
<b>IV. Other long-term assets</b>	<b>240</b>		<b>9,693,595,410</b>	<b>8,334,550,279</b>
Long-term deposits	241	12	1,067,894,904	1,076,094,904
Deposits at Payment Support Fund	242	13	1,124,409,808	186,024,720
Long-term prepayments	243	14	7,501,290,698	7,072,430,655
<b>TOTAL ASSETS</b>	<b>250</b>		<b>1,479,209,676,291</b>	<b>1,322,158,711,840</b>

# Balance sheet

## At 31 December 2008

	Code	Note	2008 VND	2007 VND
<b>RESOURCES</b>				
<b>A- LIABILITIES</b>	<b>300</b>		<b>155,761,925,505</b>	<b>672,715,072,887</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>154,236,284,505</b>	<b>672,315,072,887</b>
Payables to Securities Depository Centre	315		32,773,638,005	47,679,968,030
Payables to suppliers	318		190,744,300	658,000,000
Advances from customers	319		740,409,000	6,018,167,828
Taxes payable to State Treasury	323	15	1,555,221,261	11,646,142,058
Payable to employees	324		1,710,350,260	–
Accrued expenses	325		749,578,520	5,681,085,561
Other payables	328	16	14,286,905,813	467,849,010,027
Settlements of securities transactions by customers	332		102,229,437,346	132,782,699,383
<b>II. Long-term liabilities</b>	<b>340</b>		<b>1,525,641,000</b>	<b>400,000,000</b>
Payable to delegators	345		191,103,500	–
Provision for severance allowance	346	17	1,334,537,500	400,000,000
<b>B- EQUITY</b>	<b>400</b>		<b>1,323,447,750,786</b>	<b>649,443,638,953</b>
<b>I. Capital</b>	<b>410</b>	<b>18</b>	<b>394,634,000,000</b>	<b>200,000,000,000</b>
Share capital	412		394,634,000,000	200,000,000,000
<b>II. Supplementary capital</b>	<b>420</b>	<b>18</b>	<b>757,828,775,000</b>	<b>236,099,785,000</b>
Share premium	421		757,828,775,000	236,099,785,000
<b>III. Reserves and retained profits</b>	<b>430</b>		<b>171,629,975,786</b>	<b>213,343,853,953</b>
Statutory reserves	433	19	26,458,301,498	10,717,087,214
Other equity funds	436	19	5,500,270,409	4,891,018,929
Bonus and welfare funds	439	19	7,401,986,128	3,140,567,259
Retained profits	438		132,269,417,751	194,595,180,551
<b>IV. Adjustment to capital</b>	<b>440</b>	<b>18</b>	<b>(645,000,000)</b>	<b>–</b>
Treasury shares	443		(645,000,000)	–
<b>TOTAL RESOURCES</b>	<b>450</b>		<b>1,479,209,676,291</b>	<b>1,322,158,711,840</b>

# Statement of income

## For the year ended 31 December 2008

### PART I - PROFIT AND LOSS

	Code	Note	2008 VND	2007 VND
<b>Revenue from securities trading activities</b>	<b>01</b>		<b>231,373,559,732</b>	<b>224,705,757,363</b>
Revenue from securities brokerage	02		28,972,268,359	32,835,148,535
Revenue from securities trading	03		96,195,397,327	168,372,368,484
Revenue from securities underwriting, issuance agency	05		1,007,500,000	131,327,129
Revenue from securities investment advisory	06		5,128,102,684	3,411,628,200
Revenue from operating capital	09	20	100,070,291,362	19,955,285,015
<b>Income from investment activities</b>	<b>13</b>		<b>54,223,046,536</b>	<b>5,806,745,800</b>
<b>Net revenue from securities trading and investment activities</b>	<b>14</b>		<b>285,596,606,268</b>	<b>230,512,503,163</b>
<b>Expenses for securities trading activities</b>	<b>15</b>	<b>21</b>	<b>(201,487,616,737)</b>	<b>(41,141,309,776)</b>
<b>Gross profit</b>	<b>20</b>		<b>84,108,989,531</b>	<b>189,371,193,387</b>
<b>General and administration expenses</b>	<b>30</b>	<b>22</b>	<b>(60,564,239,225)</b>	<b>(41,215,229,790)</b>
<b>Net profit from securities trading and investment activities</b>	<b>40</b>		<b>23,544,750,306</b>	<b>148,155,963,597</b>
Other income	41		169,683,141	869,539,364
Other expenses	42		(171,422,335)	(927,217,237)
<b>Profit before tax</b>	<b>60</b>		<b>23,543,011,112</b>	<b>148,098,285,724</b>
<b>Income tax expense - current</b>	<b>70</b>	<b>24</b>	<b>–</b>	<b>(15,953,137,742)</b>
<b>Income tax expense - deferred</b>	<b>71</b>	<b>24</b>	<b>–</b>	<b>–</b>
<b>Net profit</b>	<b>80</b>		<b>23,543,011,112</b>	<b>132,145,147,982</b>
<b>Earnings per share</b>	<b>29</b>			
Basic earnings per share			601	10,718
Diluted earnings per share			601	4,087

# Statement of income

## For the year ended 31 December 2008

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

	Code	Amounts brought forward VND	Amounts provided VND	Amounts paid VND	Amounts carried forward VND
<b>Taxes</b>					
Value added tax	11	–	234,294,868	(3,268,909)	231,025,959
Corporate income tax	17	8,984,065,620	(1,723,983,750)	(14,935,361,705)	(7,675,279,835)
Withholding tax	17	2,252,147,180	4,779,741,933	(5,967,000,269)	1,064,888,844
Others	17	409,929,258	4,205,362,474	(4,355,985,274)	259,306,458
<b>Total</b>	<b>21</b>	<b>11,646,142,058</b>	<b>7,495,415,525</b>	<b>(25,261,616,157)</b>	<b>(6,120,058,574)</b>

## Statement of changes in equity

### For the year ended 31 December 2008

	Share capital VND	Treasury shares VND	Share premium VND	Statutory reserves VND	Other equity funds VND	Bonus and welfare funds VND	Retained profits VND	Total VND
<b>Balance at 1 January 2007</b>	<b>100,000,000,000</b>	<b>(39,360,162,500)</b>	<b>5,275,000,000</b>	<b>1,570,647,862</b>	<b>1,415,371,975</b>	<b>371,019,783</b>	<b>91,608,877,252</b>	<b>160,880,754,372</b>
Share capital issued	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	-	-	-	9,146,439,352	3,475,646,954	4,573,219,676	(17,195,305,982)	-
Utilization 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)
<b>Balance at 1 January 2008</b>	<b>200,000,000,000</b>	<b>-</b>	<b>236,099,785,000</b>	<b>10,717,087,214</b>	<b>4,891,018,929</b>	<b>3,140,567,259</b>	<b>194,595,180,551</b>	<b>649,443,638,953</b>
Share capital issued	184,634,500,000	-	512,460,990,000	-	-	-	-	697,095,490,000
Net profit for the year	-	-	-	-	-	-	23,543,011,112	23,543,011,112
Bonus shares	9,999,500,000	-	-	-	-	-	(9,999,500,000)	-
Shares repurchased	-	(645,000,000)	-	-	-	430,000,000	-	(215,000,000)
Transfer to reserves and funds	-	-	-	15,741,214,284	1,321,451,480	13,214,514,798	(30,277,180,562)	-
Utilization of funds	-	-	9,268,000,000	-	(712,200,000)	(9,383,095,929)	-	(827,295,929)
Dividends	-	-	-	-	-	-	(47,316,077,100)	(47,316,077,100)
Other adjustments	-	-	-	-	-	-	1,723,983,750	1,723,983,750
<b>Balance at 31 December 2008</b>	<b>394,634,000,000</b>	<b>(645,000,000)</b>	<b>757,828,775,000</b>	<b>26,458,301,498</b>	<b>5,500,270,409</b>	<b>7,401,986,128</b>	<b>132,269,417,751</b>	<b>1,323,447,750,786</b>

# Statement of cash flows

## For the year ended 31 December 2008

	Code Note	2008 VND	2007 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>	<b>01</b>	<b>23,543,011,112</b>	<b>148,098,285,724</b>
<i>Adjustment for</i>			
Depreciation and amortization	02	9,316,406,032	4,926,221,270
Allowances and provisions	03	191,055,977,813	32,482,058,539
Write-off of fixed assets	12	216,196,746	159,381,375
Loss from disposal of fixed assets	12	–	47,677,873
Dividend income	13	(19,073,614,567)	(5,740,230,800)
Gain on sales of long-term investments	13	(136,344,220,756)	–
<b>Operating profit before changes in working capital</b>		<b>68,713,756,380</b>	<b>179,973,393,981</b>
Change in trading securities, short-term investments, receivables and other current assets	21	204,203,671,545	(465,213,245,172)
Change in payables and other liabilities	23	(91,139,531,462)	503,384,151,764
Dividends paid	09	(38,019,370,900)	(25,117,647,559)
Income tax paid	07	(14,935,361,705)	(15,917,552,290)
Funds utilized	10	(827,295,929)	(1,803,672,200)
Other payments for operating activities	06	–	(92,820,123)
<b>Net cash generated from operating activities</b>	<b>40</b>	<b>127,995,867,929</b>	<b>175,212,608,401</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for additions to fixed assets	41	(2,827,644,680)	(6,514,090,889)
Payments for additions to construction in progress	41	(7,272,064,034)	(3,576,409,109)
Payment for long-term prepayments	41	(5,806,760,679)	(8,587,610,502)
Payments for long-term assets	41	(930,185,088)	–
Proceeds from disposal of fixed assets	42	–	590,909,090
Proceeds from sales of long-term investments	43	1,921,756,032,800	
Payments for purchases of long-term investments	44	(2,768,874,274,379)	(27,037,051,324)
Receipts of dividend income	45	19,073,614,567	5,740,230,800
<b>Net cash used in investing activities</b>	<b>50</b>	<b>(844,881,281,493)</b>	<b>(39,384,021,934)</b>

## Statement of cash flows

### For the year ended 31 December 2008

	Code	Note	2008 VND	2007 VND
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from shares issued	51		270,034,696,000	330,824,785,000
Acquisitions of treasury shares	52		(215,000,000)	–
Proceeds from re-issuance of treasury shares	51		–	56,600,000,000
Proceeds from short-term borrowings	53		–	247,795,939,000
Payments to settle short-term borrowings	54		–	(311,965,424,600)
<b>Net cash generated from financing activities</b>	<b>60</b>		<b>269,819,696,000</b>	<b>323,255,299,400</b>
<b>Net cash flows during the year</b>	<b>70</b>		<b>(447,065,717,564)</b>	<b>459,083,885,867</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>80</b>		<b>581,787,772,199</b>	<b>122,703,886,332</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>90</b>	<b>4</b>	<b>134,722,054,635</b>	<b>581,787,772,199</b>

#### NON-CASH INVESTING AND FINANCING ACTIVITIES

	2008 VND	2007 VND
Conversion from other payables to share capital	427,060,794,000	–

# Notes to the financial statements

## For the year ended 31 December 2008

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

### 1. Reporting Entity

Ho Chi Minh City Securities Corporation (“the Company”) is a joint stock company incorporated in Vietnam. The principal activities of the Company are to conduct securities brokerage activities, securities trading activities, securities investment advisory, securities underwriting and securities custodian services.

As at 31 December 2008 the Company had 163 employees (31 December 2007: 123).

### 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/QĐ-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, except for the statement of cash flows, are prepared on the accrual basis using the historical cost concept. The statement of cash flows is prepared using the indirect method.

#### (b) Fiscal year

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

#### (c) Segment reporting

The principal activities of the Company are to conduct securities brokerage activities, securities trading activities and securities investment advisory activities. The Company’s primary format for segment reporting is based on the Company’s core business segment including brokerage, trading and investment advisory. The Company does not report geographical segmental information as the 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 realized and unrealized foreign exchange differences are recorded in the statement of income.

#### (e) Cash and cash equivalents

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

Cash and cash equivalents also include cash relating to customers' securities transactions.

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

**(i) Classification**

The Company classifies its listed shares and unlisted shares which are purchased for trading purpose as trading securities.

The Company classifies securities purchased under agreements to resell (reverse securities repurchase agreements) as short-term investments.

Long-term securities investments 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.

**(ii) Recognition**

The Company recognizes trading securities, short-term investments and long-term securities investments on the date it becomes a party to the contractual provisions of the investments (trade date accounting).

**(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 for listed shares and brokers' quotes for unlisted shares on the balance sheet date.

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

Long-term securities investments are stated at cost, less any allowance for diminution considered necessary by the management. The management determines the diminution allowance after giving consideration to cost, market conditions, and expected cash flows.

The allowance for diminution of trading securities, short-term investments and long-term securities 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 recognized. 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 recognized.

**(iv) Derecognition**

Trading securities, short-term investments and long-term securities investments are derecognized 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 and long-term securities are determined on a weighted average basis.

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

**(g) Accounts receivable**

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

**(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, and the costs of dismantling and removing the asset and restoring the site on which they are located. 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 capitalized 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:

- motor vehicles      6 years
- office equipment    3 - 5 years

**(i) Intangible fixed assets**

**Software**

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

**(j) Construction in progress**

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

**(k) Long term prepayments**

**Tools and supplies**

Long-term prepayments comprise tools and supplies which are stated at cost and are amortized on a straight-line basis over 1-3 years.

**(l) Trade and other payables**

Trade and other payables are stated at their cost.

# Notes to the financial statements

## For the year ended 31 December 2008 (continued)

### **(m) Taxation**

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

Current tax is the expected tax payable on the taxable income for the year 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 realization 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 recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **(n) Share capital**

#### **(i) Ordinary shares**

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

#### **(ii) Share premium**

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

#### **(iii) Treasury shares**

When share capital recognized as equity is purchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized 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 reissue price and the purchase price is recorded in share premium.

### **(o) Statutory reserves, other equity funds 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.

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

Other equity funds are allocated from profit after tax. The allocation from profit after tax and the utilization of the other equity funds are approved by the Board of Directors. These funds are not required by law and are fully 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 recognized in the statement of income when the securities transaction of the customer has been processed.

##### (ii) *Revenue from securities trading*

Revenue from securities trading activities is recognized 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 underwriting, issuance agency*

Revenue from securities underwriting and issuance agency activities is recognized 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 from securities investment advisory*

Revenue from securities investment advisory activities is recognized 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.

##### (v) *Revenue on operating capital*

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

##### (vi) *Revenue from investment activities*

Dividend income from investment activities is recognized when the Company's rights to receive dividends are established.

Coupon income from bonds is recognized in the statement of income on an accrual basis.

#### (q) Operating lease payments

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statement of income as an integral part of the total lease expense.

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

**(r) Borrowing costs**

Borrowing costs are recognized as an expense in the period in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying tangible fixed assets, in which case the borrowing costs incurred during the period of construction are capitalized as part of the cost of the fixed assets concerned.

**(s) 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.

**(t) 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.

**(u) 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.

**(v) 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.

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

#### 3. Segment reporting by business

	Securities brokerage		Securities trading		Securities investment Advisory		Unallocated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND
Segment revenue	28,972,268,359	32,835,148,535	150,418,443,863	174,179,114,284	5,128,102,684	3,411,628,200	101,077,791,362	20,086,612,144	285,596,606,268	230,512,503,163
Segment expenses	(6,445,056,287)	(3,880,352,951)	(157,467,495,590)	(32,082,058,539)	—	—	(98,141,043,279)	(46,451,805,949)	(262,053,595,156)	(82,414,217,439)
Segment results	22,527,212,072	28,954,795,584	(7,049,051,727)	142,097,055,745	5,128,102,684	3,411,628,200	2,936,748,083	(26,365,193,805)	23,543,011,112	148,098,285,724
Segment assets	110,587,539,471	56,358,827,236	1,258,208,314,905	671,076,601,966	—	—	110,413,821,915	594,723,282,638	1,479,209,676,291	1,322,158,711,840
Segment liabilities	102,229,437,346	132,782,699,383	—	—	—	—	53,341,384,657	539,932,373,504	155,570,822,003	672,715,072,887
Capital expenditure	—	—	—	—	—	—	10,099,708,714	10,090,499,998	10,099,708,714	10,090,499,998

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

#### 4. Cash and cash equivalents

	2008 VND	2007 VND
Cash on hand	406,867,526	360,070,207
Cash at banks	23,727,647,638	525,068,874,756
Cash from customers relating to securities transactions	110,587,539,471	56,358,827,236
Cash and cash equivalents in the statement of cash flows	134,722,054,635	581,787,772,199

Cash and cash equivalents at 31 December 2008 included amounts denominated in currencies other than VND amounting to VND124,131,108 (31 December 2007: VND2,172,711).

#### 5. Trading securities

	Amount brought forward VND	Increase VND	Decrease VND	Amount carried forward VND
<b>Costs</b>				
Trading securities	390,158,215,112	312,440,163,688	(333,427,176,034)	369,171,202,766
<b>Less allowances</b>				
Allowance for diminution in value of trading securities	(32,082,058,539)	(184,411,653,155)	26,944,157,565	(189,549,554,129)
<b>Total</b>	358,076,156,573	128,028,510,533	(306,483,018,469)	179,621,648,637

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

#### 6. Short-term investments

	2008 VND	2007 VND
Receivables from reverse securities repurchase agreements	60,376,745,140	267,166,238,600
Allowance for doubtful debts	(11,086,748,000)	–
	<u>49,289,997,140</u>	<u>267,166,238,600</u>

#### 7. Accounts receivable

Accounts receivable comprise:

	2008 VND	2007 VND
Receivable from customers	41,884,220,378	12,932,800,000
Advances to customers	8,142,931,000	–
Deductible value added tax	3,444,081	–
Receivables from Ho Chi Minh City Investment Fund for Urban Development	–	1,854,763,507
Receivables from Sacombank Securities Company	–	8,205,004,400
Bidding deposits	2,259,671,282	13,193,000,000
Deposits for purchases of properties	5,610,000,000	5,610,000,000
Overpaid income tax	7,675,279,835	–
Coupon receivable from bonds	6,338,771,770	–
Interest receivable from time deposits with banks	6,580,000,000	–
Other receivables	593,911,445	7,781,122,708
	<u>79,088,229,791</u>	<u>49,576,690,615</u>
Allowance for doubtful debts	(21,567,196,723)	–
	<u>57,521,033,068</u>	<u>49,576,690,615</u>

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

#### 8. Tangible fixed assets

	Motor vehicles VND	Office equipment VND	Total VND
<b>Cost</b>			
Opening balance	3,177,902,884	5,000,400,210	8,178,303,094
Additions	28,245,000	2,395,743,732	2,423,988,732
Transfer from construction in progress	–	2,006,602,165	2,006,602,165
Reclassifications from intangible fixed assets	13,640,000	168,819,767	182,459,767
Written off	–	(88,898,775)	(88,898,775)
Closing balance	3,219,787,884	9,482,667,099	12,702,454,983
<b>Accumulated depreciation</b>			
Opening balance	287,671,137	2,165,457,609	2,453,128,746
Charge for the year	593,977,601	1,862,255,959	2,456,233,560
Written off	–	(1,427,718)	(1,427,718)
Closing balance	881,648,738	4,026,285,850	4,907,934,588
<b>Net book value</b>			
Closing balance	2,338,139,146	5,456,381,249	7,794,520,395
Opening balance	2,890,231,747	2,834,942,601	5,725,174,348

Included in the cost of tangible fixed assets were assets costing VND33 million which were fully depreciated as of 31 December 2008 (2007: Nil), but which are still in active use.

# Notes to the financial statements

## For the year ended 31 December 2008 (continued)

### 9. Intangible fixed assets

	Software VND
<b>Cost</b>	
Opening balance	1,510,854,020
Additions	403,655,948
Transfer from construction in progress	8,037,140,516
Reclassifications to tangible fixed assets	(182,459,767)
Written off	(1,123,197,420)
Closing balance	8,645,993,297
<b>Accumulated depreciation</b>	
Opening balance	1,050,735,255
Charge for the year	1,482,271,836
Written off	(994,471,731)
Closing balance	1,538,535,360
<b>Net book value</b>	
Closing balance	7,107,457,937
Opening balance	460,118,765

### 10. Long-term securities investments

Long-term securities investments represent investments in government bonds and corporate bonds with interest rates and maturities ranging from 7.9%-15% per annum (2007: 6%-9%) and 1-15 years (2007: 3-7 years), respectively.

# Notes to the financial statements

## For the year ended 31 December 2008 (continued)

### 11. Construction in progress

	2008 VND	2007 VND
Opening balance	3,576,409,109	–
Additions	7,272,064,034	3,576,409,109
Transfer to tangible fixed assets	(2,006,602,165)	–
Transfer to intangible fixed assets	(8,037,140,516)	–
Closing balance	804,730,462	3,576,409,109

### 12. Long-term deposits

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

### 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:

	VND
Opening balance	186,024,720
Annual deposit in Payment Support Fund	912,898,012
Interest income in 2006 and 2007	25,487,076
Closing balance	1,124,409,808

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

#### 14. Long-term prepayments

	Tools and supplies VND
Opening balance	7,072,430,655
Additions	5,806,760,679
Amortization for the year	(5,377,900,636)
Closing balance	<u>7,501,290,698</u>

#### 15. Taxes payable to State Treasury

	2008 VND	2007 VND
<b>Taxes</b>		
Corporate income tax	–	8,984,065,620
Withholding tax	1,064,888,844	2,252,147,180
Value added tax	231,025,959	–
Others	259,306,458	409,929,258
	<u>1,555,221,261</u>	<u>11,646,142,058</u>

#### 16. Other payables

	2008 VND	2007 VND
Payable to Soc Trang Sugar Company	–	29,954,800,000
Dividends payable	11,949,619,419	2,652,913,219
Cash received from shareholders	–	427,060,794,000
Other payables	2,337,286,394	8,180,502,808
	<u>14,286,905,813</u>	<u>467,849,010,027</u>

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

#### 17. Provision for severance allowance

Movements of provision during the year were as follows:

	<b>VND</b>
Opening balance	400,000,000
Provision made during the year	934,537,500
Closing balance	1,334,537,500

Under the Vietnamese Labour Code, when employees who have worked for 12 months or more (“eligible employees”) voluntarily terminates his/her labour contract, the employer is required to pay the eligible employees severance allowance calculated based on years of service and employees’ compensation at termination. Provision for severance allowance has been provided based on employees’ years of service and their current salary level.

Pursuant to Law on Social Insurance, effective from 1 January 2009, the Company and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees’ basic salary and 20 times the general minimum salary level as specified by the Government from time to time (currently VND540,000 per month). With the implementation of the unemployment insurance scheme, the Company is no longer required to provide severance allowance for the service period after 1 January 2009. However, severance allowance to be paid to existing eligible employees as of 31 December 2008 will be determined based on the eligible employees’ years of service as of 31 December 2008 and their average salary for the six-month period prior to the termination date.

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

#### 18. Capital

##### Share capital

The Company's authorised and issued share capital comprises:

	2008		2007	
	Number of shares	VND	Number of shares	VND
<b>Authorised share capital</b>	39,463,400	394,634,000,000	20,000,000	200,000,000,000
<b>Issued share capital</b>				
Ordinary shares	39,463,400	394,634,000,000	20,000,000	200,000,000,000
<b>Treasury shares</b>				
Ordinary shares	21,500	645,000,000	–	–
<b>Shares currently in circulation</b>				
Ordinary shares	39,441,900	1,151,817,775,000	20,000,000	436,099,785,000

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

	2008	
	Number of shares	VND
Balance at beginning of the year	20,000,000	436,099,785,000
Shares issued during the year	18,463,450	706,363,490,000
Bonus shares issued during the year	999,950	9,999,500,000
Treasury shares purchased during the year	(21,500)	(645,000,000)
Balance at end of the year	39,441,900	1,151,817,775,000

##### Share premium

Movements in share premium during the year were as follows:

	2008	
	Number of shares	VND
Balance at beginning of the year	20,000,000	236,099,785,000
Shares issued during the year	19,441,900	521,728,990,000
Balance at end of the year	39,441,900	757,828,775,000

# Notes to the financial statements

## For the year ended 31 December 2008 (continued)

### 19. Reserves and funds

According to Decision 27/2007/QĐ-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:

	<b>Annual allocation</b>	<b>Maximum balance</b>
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 VND13,214,514,798 of the retained profits to the bonus and welfare fund. The establishment of this fund is voluntarily in nature and fully distributable. The fund has 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 VND9,383,095,929 from the bonus and welfare funds, in which VND115,095,929 was in cash and the remaining amount was in the form of share subscription for employees.

The Company has allocated VND1,321,451,480 of the retained profits to other equity funds. The establishment of these funds is voluntarily in nature and fully distributable. During the year, the Company made payments totaling VND712,200,000 from the other equity funds.

### 20. Revenue from operating capital

	<b>2008 VND</b>	<b>2007 VND</b>
Revenue from deposits at banks	62,846,574,050	5,972,981,893
Revenue from reverse securities repurchase agreements	25,548,233,505	9,087,616,741
Revenue from advances to customers	3,025,613,249	1,211,419,832
Revenue from other operating capital	8,649,870,558	3,683,266,549
	<b>100,070,291,362</b>	<b>19,955,285,015</b>

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

#### 21. Expenses for securities trading

	2008 VND	2007 VND
Provision for trading securities	157,467,495,590	32,082,058,539
Provision for short-term investments	11,086,748,000	-
Provision for doubtful debts	21,567,196,723	-
Brokerage fee	6,445,056,287	3,880,352,951
Interest expenses	-	2,127,252,736
Other expenses	4,921,120,137	3,051,645,550
	201,487,616,737	41,141,309,776

#### 22. General and administration expenses

	2008 VND	2007 VND
Staff costs	23,740,648,712	12,817,834,598
Depreciation and amortization	9,316,406,032	4,926,221,270
Tax and fees	372,477,190	174,347,660
External services expenses	13,477,716,179	7,662,063,035
Other expenses	13,656,991,112	15,634,763,227
	60,564,239,225	41,215,229,790

#### 23. Staff costs

	2008 VND	2007 VND
Total salaries and related expenses	23,740,648,712	12,817,834,598
Average monthly salary/staff	10,887,843	7,554,405
Average monthly remuneration/staff	12,137,346	8,684,170

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

#### 24. Income tax

##### (a) Recognized in the statement of income

	2008 VND	2007 7VND
Current tax expense	–	15,953,137,742

##### (b) Reconciliation of effective tax rate

		2008 VND		2007 VND
Profit before tax		23,543,011,112		148,098,285,724
Tax at the Company's tax rate	20.0%	4,708,602,222	10.0%	14,809,828,572
Tax exempt income	(20.2%)	(4,760,753,809)	(0.4%)	(580,676,580)
Non-deductible expenses	0.2%	52,151,587	1.2%	1,723,985,750
	–	–	10.8%	15,953,137,742

##### (c) Applicable tax rates

The Company has an obligation to pay the government income tax at the rate of 20% of taxable profits for the first 10 years and 25% thereafter. The provisions of the Company's Securities Operating Licence allow the Company to be exempted from income tax for 2 years starting from the first year the Company generates a taxable profit (2003 - 2004) and receive a 50% reduction in income tax for the three succeeding years (2005 - 2007).

# Notes to the financial statements

## For the year ended 31 December 2008 (continued)

### 25. Significant transactions with related parties

	Transaction value		Balance outstanding as at 31 December	
	2008 VND	2007 VND	2008 VND	2007 VND
<b>Strategic shareholders</b>				
<b>Dragon Capital Markets Limited</b>				
Trading securities purchase brokerage	30,000,000,000	130,151,700,000	–	–
Trading securities sale brokerage	215,213,613,690	889,342,000	–	–
Brokerage fees	118,505,978	27,364,353	–	–
<b>Ho Chi Minh City Investment Fund for Urban Development (“HIFU”)</b>				
Trading securities sale brokerage	49,466,410,000	11,646,210,000	–	–
Brokerage fees	27,050,385	17,469,315	–	–

### 26. Value of transactions processed during the year

Items	Volume of transactions processed Shares	Total transaction value VND
<b>Transactions of the Company</b>		
Shares	13,003,149	644,010,905,722
Bonds	22,088,985	2,741,827,568,380
<b>Transactions of customers</b>		
Shares	123,737,950	4,839,402,155,000
<b>Total</b>	<b>158,830,084</b>	<b>8,225,240,629,102</b>

# Notes to the financial statements

For the year ended 31 December 2008 (continued)

## 27. Movements of accounts receivable and accounts payable

Items	Amount brought forward VND	Increase VND	Decrease VND	Amount carried forward VND
<b>1. Accounts receivables</b>	<b>50,214,179,137</b>	<b>2,259,470,260,529</b>	<b>(2,251,956,644,724)</b>	<b>57,727,794,942</b>
1.1. Other receivables	49,576,690,615	2,262,202,178,116	(2,232,690,638,940)	79,088,229,791
1.2. Allowance for doubtful debts		(21,567,196,723)	–	(21,567,196,723)
1.3. Advances	637,488,522	18,835,279,136	(19,266,005,784)	206,761,874
<b>2. Accounts payable</b>	<b>672,715,072,887</b>	<b>25,518,767,344,753</b>	<b>(26,035,720,492,135)</b>	<b>155,761,925,505</b>
<b>Current liabilities</b>	<b>672,315,072,887</b>	<b>25,517,641,703,753</b>	<b>(26,035,720,492,135)</b>	<b>154,236,284,505</b>
2.1. Payables to Vietnam Securities Depository Centre	47,679,968,030	14,525,193,743,178	(14,540,100,073,203)	32,773,638,005
2.2. Payables to suppliers	658,000,000	2,741,687,348	(3,208,943,048)	190,744,300
2.3. Advances from customers	6,018,167,828	–	(5,277,758,828)	740,409,000
2.4. Taxes payable to State Treasury	11,646,142,058	16,205,251,078	(26,296,171,875)	1,555,221,261
2.5. Payable to employees	–	27,835,319,492	(26,124,969,232)	1,710,350,260
2.6. Accrued expenses	5,681,085,561	7,615,562,345	(12,547,069,386)	749,578,520
2.7. Other payables	467,849,010,027	522,198,821,330	(975,760,925,544)	14,286,905,813
2.8. Settlements of securities transactions by the investors	132,782,699,383	10,415,851,318,982	(10,446,404,581,019)	102,229,437,346
<b>Non-current liabilities</b>	<b>400,000,000</b>	<b>1,125,641,000</b>	<b>–</b>	<b>1,525,641,000</b>
2.9. Payable to delegators	–	191,103,500	–	191,103,500
2.10. Provision for severance allowance	400,000,000	934,537,500	–	1,334,537,500

# Notes to the financial statements

## For the year ended 31 December 2008 (continued)

### 28. Indices

Items	2008	2007
<b>1. Asset and resources structure</b>		
- Fixed assets/total assets (%)	1.0%	0.5%
- Current assets/total assets (%)	29%	95.2%
<b>2. Profitability rate</b>		
- Profit/turnover rate (%)	8.2%	64.2%
- Profit/equity rate (%)	1.8%	22.8%
<b>3. Financial situation</b>		
- Total liabilities/total assets (%)	10.5%	50.9%
- Liquidity (%):		
+ Current ratio: Current assets/current liabilities	275.2%	187.0%
+ Quick ratio: (Current assets - inventories)/current liabilities	275.2%	187.0%
+ Cash liquidity: Cash and cash equivalents/current liabilities	87.3%	86.5%

### 29. Earnings per share

#### (a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2008 was based on the profit after tax of VND23,543 million (2007: VND132,145 million) and a weighted average number of ordinary shares outstanding of 39,200,372 (2007: 12,329,627), calculated as follows:

#### (i) Net profit after tax

	2008 VND	2007 VND
Net profit after tax	23,543,011,112	132,145,147,982

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

	2008	2007
Issued ordinary shares at the beginning of the year	20,000,000	8,870,000
Effect of shares issued during the year	18,212,281	2,630,137
Effect of bonus shares issued during the year	999,950	
Effect of acquisition of treasury shares	(11,859)	-
Effect of re-issuance of treasury shares	-	829,490
Weighted average number of ordinary shares at the end of the year	39,200,372	12,329,627

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

**(iii) Basic earnings per share**

	2008 VND	2007 VND
Basic earnings per share	601	10,718

**(b) Diluted earning per shares**

The calculation of diluted earnings per share at 31 December 2008 was based on the profit after tax of VND23,543 million (2007: VND132,145 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 39,200,372 (2007: 32,329,627), calculated as follows:

**(i) Net profit after tax (diluted)**

	2008 VND	2007 VND
Net profit after tax (basic and diluted)	23,543,011,112	132,145,147,982

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

	2008 VND	2007 VND
Weighted average number of ordinary shares (basic)	39,200,372	12,329,627
Effect of shares issued awaiting approval	–	20,000,000
Weighted average number of ordinary shares (diluted) as at 31 December	39,200,372	32,329,627

**(iii) Diluted earnings per share**

	2008 VND	2007 VND
Diluted earnings per share	601	4,087

## Notes to the financial statements

### For the year ended 31 December 2008 (continued)

#### 30. Commitments

##### *Lease commitment*

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

	<b>2008</b> <b>VND</b>	<b>2007</b> <b>VND</b>
Within one year	4,694,868,134	7,241,873,310
Within two to five years	6,015,929,994	16,354,727,046
Over five years	–	1,775,392,178
	<b>10,710,798,128</b>	<b>25,371,992,534</b>

#### 31. Subsequent events

Subsequent to the balance sheet date due to the general decline in the stock markets in Vietnam value of some trading securities, short-term investments and long-term securities investments decreased from the carrying value as of 31 December 2008. No adjustment has been made to the financial statements for the year ended 31 December 2008.

As at the date of issuance of these financial statements, the Company is applying to the Ho Chi Minh City Stock Exchange to list 39,463,000 shares.

another creation by:

*Squarius*  
SQUARIUS CONSULTING LIMITED



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