

Thriving Upon Chaos

HSC ANNUAL REPORT 2012 



Thriving Upon Chaos

2012 was a year of economic turbulence and financial instability for Vietnam. The industry was rocked by high profile scandals, slow investor confidence, a sluggish property market and the eventual unearthing of the NPL issue. However, HSC has not only been able to weather the storm, but has thrived on it, emerging as the industry leader with the biggest market share in brokerage across the year.

Faced with undeniable challenges, we prioritized the non-financial aspects of the businesses and relied on our commitment to best practice and continual development to steer us through the year - our new Enterprise Risk Management project is evidence of this. As a result, HSC's core business lines delivered another excellent financial performance. Despite impressive results, we continue to initiate change and improvement within the business to ensure we are well prepared for what will no doubt be a demanding and exciting year ahead.

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Vision

We aim to lead the securities industry and capital markets in Vietnam, to become the country's most admired, trusted, and valued financial institution, and be a major contributor to the sustainable development of Vietnam's capital markets.

Mission

In order to attain our ambition, we are committed to continually raising the standard for professionalism, innovation, ethics and human interaction. In doing so, we are in a class of our own.

Overview

HSC is a leading and award-winning professional securities brokerage and equity firm in one of the fastest growing Asian economies, Vietnam. HSC delivers a comprehensive list of financial products for Private and Institutional Clients, providing professional investment advisory backed by solid, trusted research. For Investment Banking Clients, HSC has established an exceptional track record of connecting businesses to investors and creating long-term partnerships.

Established in 2003, HSC was borne of a partnership between two financial powerhouses, the Ho Chi Minh City Investment Fund for Urban Development (HIFU), currently Ho Chi Minh City Finance and Investment State-owned Corporation (HFIC), the investment arm of the government, and Dragon Capital Group, a UK-based integrated investment group centered on the emerging financial markets of Vietnam.

Listed on the Ho Chi Minh City Stock Exchange on May 2009 under the ticker HCM, HSC's total shareholders' equity of VND 2,163 billion (approximately US\$ 104 million), makes it one of the biggest securities companies in the country with a strong financial base and investment capacity.

HSC continuously hones its core competencies in Research, Technology and Human Capital to enable the development of new and improved financial services such as equity financing, mergers & acquisitions and underwriting capabilities. We continue to place emphasis on relationship building and providing value-added products, growing our scope of business based on clients' growing needs. Over a 10-years period of founding and developing, HSC has affirmed its top position among securities firms in Vietnam by gaining the largest market share nationwide.

Core Values

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

INTEGRITY

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

WORK ETHICS

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

PROFESSIONALISM

Constantly developing and adopting best practices; upgrading our expertise and processes to execute all transactions in the best interest of our valued clients.





Success amid Turbulence

MESSAGE FROM THE CEO



*Dear fellow shareholders,
customers, and colleagues,*

A year of chaos and tumultuous times

To the overwhelming majority in Vietnam's economy, and in the financial industry in particular, 2012 was a year of significant hardship and struggles. It was a year of struggling to find the business, struggling to find the money to finance the operation to sustain the business, and then struggling to find the money to repay the money that was borrowed. It was a year of either slow growth or loss making for hundreds of well-established companies. It was the final year for tens of thousands of private enterprises that went bankrupt.

In the securities industry, seventy percent of all securities firms continued to make losses. Some have already depleted their paid in capital, some have voluntarily relinquished their license, and some have had their license taken away by the authorities as they ran into insolvency.

As the property market showed little evidence of a recovery, being bogged down by a high interest rate environment from the second half of 2011 to the first half of 2012, the banking industry faced a grim picture. When the problems within the banking sector were analyzed more closely, it revealed a host of related lending activities to real estate projects and the resulting high suspected levels of non-performing

loans were alarming to everyone. The subject of bad loans in the banking industry has since dominated discussions related to Vietnam's economic prospects and has become a matter of national interest and in politics.

Market sentiment was shaken by the criminal charges brought against certain prominent figures in the banking industry and in some state-owned companies. The markets were periodically swept up in all kinds of ill-founded rumors. During one period, the VNIndex lost ground for 13 days out of 22 days of trading. Over the last six months of 2012, the VNIndex dropped by 20% and the HNX-Index lost 36% from the peak in May. Approximately USD 4.5 billion in market value evaporated as a result of the sell-off frenzy during the August to November period. Markets therefore gave back much of their gain accumulated in the first four months of the year. And despite maintaining a 18% gain over the whole year, the level of market confidence was low.

In our industry, fingers were pointed at alleged market manipulators for wrecking havoc in the market and the authorities clamped down on various activities, including securities lending and borrowing. While investors, or lenders and borrowers, were not affected, some individual brokers related to those transactions had their license revoked and were fined. We had to let them go in the end. We considered this to be a tumultuous time for us - we had to do some firefighting and a lot of explaining to the authorities, the media, as well as our customers and shareholders. A chastening experience.

A year of bailouts

The impetus for financial rescue and improved management came in the form of takeovers and acquisitions in the financial industry. Banks that were clearly in trouble were bought out by faster growing banks. The authorities engineered a merger of three small private banks to form a larger entity under the

From a market share of about 0.2%, we are happy to report that our newly acquired Cho Lon transaction office has multiplied its market share by five folds and is now profitable on a standalone basis.

“sponsorship” of a government owned bank. And of course the coup of the year was when the major shareholders of two banks joined forces to elbow out the founding shareholders of another major first tier joint stock bank.

Naturally there was some consolidation in the securities industry also, although no noteworthy M&As took place. The reason being is obvious - there was little or nothing worthy of taking over as smaller or crippled securities firms typically do not have a good business, a recent brand, technology platform, or clean assets worthy of an acquisition. However some of the exiting firms sold what was left of their retail equity brokerage business and some of the larger firms bought this to add to their existing customer base to grow their market share. We ourselves took over the brokerage business of Cho Lon Securities and retained their main transaction office in the Chinatown area of Saigon in order to soften the disruption to our new customers. From a market share of about 0.2%, we are happy to report that our newly acquired Cho Lon transaction office has multiplied its market share by five folds and is now profitable on a standalone basis.

There were also various initiatives by policy makers to “rescue” the stock market as well. In order to increase liquidity, the authorities expanded the trading bands from 5% to 7% in HSX, and from 7% to 10% in HNX. The two exchanges have begun studying new products like ETF. Derivatives like covered warrants and stock index

futures are also being considered for launch in the near future. In the latter part of 2012, the authorities have discussed ways to attract additional foreign money into Vietnam’s stock market, and the likely outcome could be that the foreign investment limits be raised above the current 49% to 59% through allowing the issuance of nonvoting shares.

A year in which HSC thrived

In my letter to you in our 2011 Annual report, I called 2012 the first year of a new phase of growth. In hindsight I think I was a bit ahead of myself in referring to this new phase as a growth phase, as things could typically get worse before they get better. Issues often surface and require fixing before we can begin a new cycle of growth.

At HSC, no doubt we also felt the tremendous challenges and difficulties of 2012. But 2012 was also a very fulfilling year for us: a more rewarding year in terms of business and financial results compared to the year before, and a year of improvement on what we may have taken for granted in the past. Many features of our business model and capabilities that we have used to serve our customers over the last two years have now been adopted by the market and the competition. This prompted us to review our capabilities, technologies, people, products, processes and procedures, and further differentiate ourselves to live up to our number one status.

We recorded a profit after tax of VND 246 billion for the year, a 27% increase on the year before. EPS was at 2,474 per share, the highest nominal amount of EPS among all listed peer companies.

As we continued to strengthen our core business functions with the momentum built up from the end of 2011 in the brokerage business, we achieved the biggest market share in brokerage during the entire year, and were ranked number ONE in the industry.

This growth in market share came from both the Private and the Institutional customer segments and was most remarkable in the Private Brokerage business given that it was still a very fiercely competitive environment. Our Private Clients Brokerage market share grew from 4.6% the year before to 7.0% average for 2012. The Institutional Brokerage market share climbed from 18% of total foreign institutional trading volume in 2011 to 25% for 2012. In total as a result, our brokerage market share rose from 7.2% in 2011 to 10.2% in 2012. We believe that the most important underlying factor here was a migration to quality and trustworthiness in the market. And while reputation is still a very fragile quality in our business and the overall environment in which we operate, I firmly believe that our reputation is the most valuable intangible asset we have created for HSC over the last few years.

The expansion in market share boosted our brokerage fee income by 60% from the combined two customer segments, year on year. Total brokerage fee income contributed to 26% of total 2012 revenue. Although all fee incomes covered only about 70% of all operating expenses, the strong increase in brokerage fee income was a strong evidence of the development

of our core brokerage business. While still growing market share, in the second half of 2012, our Private Brokerage business line has changed its course from expanding the customer base in the mass market, to consolidating and upgrading the quality of our products and services. In order to streamline the business, we closed down two transaction offices in Hanoi, and transferred all staff and customers to the remaining two locations in Hanoi for more efficient service and management.

In Ho Chi Minh City we added one transaction office following the acquisition of the Private Clients Brokerage business from Cho Lon Securities but will most likely consolidate that into the other three transaction offices in HCMC this year. We aim to maintain a network of five transaction offices for the foreseeable future.

A larger market share also drove our average margin loan book higher by 48% for the year, accounting for about 30% of our balance sheet on the average during the year. However, the market sell off at the end of 2012 reduced our margin loan book to only VND 510 billion while at the peak during the year, the outstanding amount had reached VND 1,100 billion. In the second half of 2012, interest rates also dropped given the government's target of lowering interest rates to help the struggling corporate sector. This lower interest rate movement hampered our credit income and we finished up the year with VND 189 billion in

income from all credit activities, a 46% increase year on year and made up 33% of our total revenue.

With an average cash balance of VND 1.3 trillion in the banks throughout 2012, which was about 26% higher than in the year before, we continued to enjoy a high level of interest income and float income from deposits, which in total made up about 25% of our 2012 revenue base. However, the cooling interest rates scaled down our interest income, which declined by 17% compared to the year before. To further enhance our interest income, we also carried out bond investment and bond repo (as well as reverse repo) transactions which contributed to about 8% of the revenue base.

Given the bullish sentiment at the beginning of 2012, we adopted a somewhat stronger risk appetite in the area of equity trading and put part of our equity to work. We were able to take advantage of the 40% plus gain in the VNIndex in the first four months of the year, and translated that into a 67% average return on our new portfolio, which contributed 3% of the revenue base. Although we still maintained a very conservative approach to the concept of equity principal trading, and hence put less than 1% of our equity into the new equity investment portfolio during the year, we probably produced one of the best return rates in the industry in 2012.

Investment Banking (IB) advisory work remained tough to come by, as both IPO and M&A activities were far and few in between. The most challenging aspect of the business was probably in bridging the significant gap between sellers' and buyers' expectation. The low valuation demanded by buyers in addition to the price fluctuation in the listed markets, coupled with the hopes of lower cost debt made it hard to convince either sellers or buyers that it was time for them to sit down at the negotiation table. Our IB advisory income brought in less than half the amount of fee income as the year before, and only about 2% of total revenue. Although we

hoped to put our balance sheet to work in mezzanine financing activities, there were very few realistic or credit worthy opportunities for us to pursue.

Our financial success in 2012 was reflected by the fact that we were one of a few firms in the industry to make a profit, and a respectful profit at that. We recorded a profit after tax of VND 246 billion for the year, a 27% increase on the year before. EPS was at 2,474 per share, the highest nominal amount of EPS among all listed peer companies. Our share price appreciated 54% in 2012 and ended up at VND 21,600 on 31 December, 2012.

In the international arena, we continued to make our name known, and won a number of major accolades in 2012, including the Asiamoney Poll, for Best Brokerage Firm in Vietnam, the FinanceAsia Country awards, and the Asset Triple A awards. As always, we sincerely thank you, our customers and partners who voted for us.

Risk management: A new buzz-word in the market but an ongoing strategy at HSC

Risk management is a recent buzz-word in the Vietnamese stock market. The authorities witnessed it first hand following the fall-out from high levels of risk tolerance in the industry. Recklessness is probably a more accurate description.

Cases of securities firms becoming insolvent, unable to meet their settlement obligations have surfaced. In some of the more serious cases, firms were charged with syphoning off their customers' accounts, in an attempt to plug holes in day-to-day settlement cycles and even on their own balance sheet. A number of securities firms have had their brokerage licenses revoked or their custodian membership suspended by the authorities. In addition to license revocation, a few securities firms have also been placed in intensive care by the exchanges and the trading of their shares has been suspended.

MESSAGE FROM THE CEO (continued)

While HSC was unscathed from all the financial wrongdoing, we have also had our share of situations where our risk management processes and procedures were called into question. This lesson was learnt the hard way when we were penalized by the authorities for failing to manage our staff, due to a violation related to “short selling” activities. At the time, we believed these activities were in essence, “securities borrowing and lending” between our customers, which our staff assisted without the involvement of HSC. In hindsight it is clear this was naive and the authorities’ finding confirmed this.

The above mentioned practice had been ongoing for some time but it was exposed in late 2012 and after we had initiated an Enterprise Risk Management (ERM) project a few months earlier. The timing of the ERM project was not a mere coincidence. Amidst many horror stories that came out, and the initiatives by the State Securities Commission to beef up the risk management features in the industry, we also recognized that our risk management infrastructure had been for the most part “self-made” and “patchy” but neither comprehensive nor systematic.

In September 2012, we initiated the ERM project and engaged PwC as our advisor. While our reputation was inevitably compromised by the exposure of the “short selling” practice, we viewed this case as a wakeup call which confirmed our decision that it was the right time for us to review all the key elements of our risk management process and revamp our corporate governance and risk management frameworks. It turned out to be a very wise and timely decision for us, as subsequently in early 2013 the authorities issued Decision 105 to guide securities firms on the mandatory establishment of their risk governance function.

Enterprise Risk Management: Getting back to basics

At the time of writing, we have completed the second stage of the ERM project, which is to understand our risk profile, and have begun setting up the appropriate structure for risk mitigation and management. The project will take us until the end of 2013, but it will be

an ongoing activity in terms of working features and monitoring. While many features and steps in the ERM project are both fundamental and practical in nature, including the separation of front (business and sales), middle (risk management), and back office (transaction processing), we found that many of these were already in place and we had been practicing them for years but in a reactive and ad hoc manner. The ERM project has taken a much more formalized, systematic, and disciplined approach that I believe we need to help us achieve the next level of growth.

In conjunction with institutionalizing our risk management infrastructure, we formally established a full risk management team, and brought in a new Managing Director to head the department. With this new setup, the Head of Internal Audit/ Compliance and Legal Department will formally be a part of upper management, as well as an arm of the Board of Directors to monitor and control risk at various levels throughout HSC.

The working process of the Investment Committee will be redefined and tightened, giving the Head of Internal Audit/ Compliance and Legal Department significant involvement in the decision making process in conjunction with the CEO on investment decisions. In addition, our Board are planned to create a Risk Management Sub-committee, an Audit Sub-committee, and a Remuneration Sub-committee with participation from our Board members. The dedication of senior resources in HSC’s risk management function reaffirmed our serious commitment to this aspect of our business.

Ten years of building HSC and beyond

By the time you receive this publication we will have celebrated our tenth year anniversary. Despite being number one in this market, I fear it might be too premature for us to celebrate our achievements at this juncture. Yes we are turning a new chapter in our growth but from my perspective we have yet to enter the big leagues compared to regional firms, and the ground under our feet is still far from being stable.

While we have made a significant presence for ourselves in Vietnam's emerging stock market, we are not in any way near the finishing line. Ten years is not a clearly defined milestone for us as we still have many unfinished projects to proceed in 2013 and beyond. We continue to build our business one day at a time, expanding our market share fraction by fraction of a percent.

In 2013, we plan to launch a Business Process Improvement (BPI) project, which should have been in place before the ERM project. However, with the ERM already underway, we believe that the BPI project will fit in more naturally because our processes will need to follow the ERM framework. In addition to revamping the business process, we will also aim to further beef up our Business Continuity Contingency Plan, which is already in place but lacks a Disaster Recovery Center. All of these projects will require additional dedicated resources and we will have to be mindful of the business environment in 2013, and aim to achieve good profitability first and foremost.

Given the slow business environment of the past year and the likelihood of this being prolonged into the first half of this year at least, we still feel comfortable with our current level of capital resources. Balancing the requirement for additional capital and achieving good shareholders' return has been challenging in our industry as the cost for capital in Vietnam remains high. However, as interest rates have waned, we foresee that our profitability would be negatively affected if we continued to rely on interest income from bank deposits and bond repo activities.

A recent discussion with our Board of Directors came to a consensus that we are willing and able to expand our risk appetite a bit in areas where our revamped risk management infrastructure will be able to accommodate. Given the good track record of 2012 and market positioning and forecast, we intend to extend our margin lending as well as equity trading activities in 2013 in order to seize opportunities with higher return, and to compensate the shortfall in risk free interest income.

We have also taken lead in working with the exchanges and fund management firms in the preparation of the first ETFs which will likely be launched in 2H/2013. This should be a major step forward in terms of giving Vietnam's stock markets more "depths" and would at least provoke the markets to "relax" and expand their liquidity. We are also set-up and ready to provide stock lending and borrowing facilities in preparation for when our clients require it. We have every confidence that we are in the best position to add value to the market and will be called upon to share our knowledge and experience when the time comes.

Being in the forefront of a frontier market entails risk, especially in the financial industry, however, we understand there is a responsibility that comes with being the number one firm in the market. This is a mentality that we need to adopt as a part of our sustainable development mindset. Not only will our industry, regulators, customers, investors, count on us for our positive value and influence, but our society also. This is the first year we will conscientiously engage in and report on activities where HSC has exerted an influence for the benefit of our society.

I urge you to join us and be a part of this mindset and culture, and be at the forefront with HSC for a sustainable future.



Johan Nyvene
Chief Executive Officer

CORPORATE MILESTONES

Since being established in 2003, continuous growth in both capital and business scale has made HSC one of the leading securities and financial services firms in Vietnam.

Over the 10-year period, HSC has reached the top position with the largest market share nationwide, and increased charter capital growth by 20 times.

2003

- Officially started operations after receiving Business Registration Certificate No. 4103001573 from Department of Planning and Investment of Ho Chi Minh City issued on 23 April 2003 and Business License No.11/SSC-GPHDKD from State Securities Commission issued on 29 April 2003.
- HSC commenced operations with initial capital of VND 50 billion, which at that time was one of the largest capital in the securities sector in Vietnam.

2006

- Increased charter capital to VND 100 billion.
- Relocated head office and transaction office to Capital Place Building, 6 Thai Van Lung Street, District 1, Ho Chi Minh City.

2007

- Raised charter capital to VND 200 billion.
- Established Hanoi branch at 6 Le Thanh Tong, Hoan Kiem District.
- Issued shares to strategic shareholders HDBANK and IDICO.

2008

- Further increased charter capital to VND 394.634 billion.
- Launched the Call Center PBX support system and VI-Trade system that enables trading via Internet.
- Established Hau Giang transaction office in Ho Chi Minh City.

2009

- Officially listed on Ho Chi Minh City Stock Exchange (HOSE) with the stock ticker HCM.
- Upgraded internet trading platform (VI-Trade system) and launched VIP-Trade, a more advanced version of the portal that allows real-time transactions.
- Established Lang Ha transaction office in Hanoi.
- Recognized as one of the top 4 securities companies with the largest market share compared to more than 100 securities firms across the country.

2010

- Increased charter capital to VND 600 billion.
- Established 4 transaction offices: Tran Hung Dao, 3 Thang 2 in Ho Chi Minh City and Ba Trieu, Kim Lien in Hanoi.
- Renamed and relocated Hau Giang transaction office to 3 Thang 2 transaction office in Ho Chi Minh City.
- Recognized as the No.1 securities firm in Vietnam and one of the top 20 leading securities firms in Asia - 2010 Extel Awards by Thomson Reuters.
- Received Platinum Award the best Annual Report worldwide in Financial - Capital markets by US-based LACP.
- Ranked No.3 in the brokerage market share out of more than 100 securities firms across the country.

2011

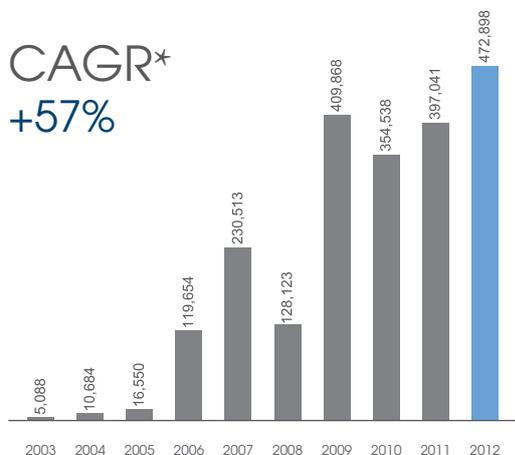
- Increased charter capital to over VND 998 billion.
- Relocated head office and IT Data Center to new corporate headquarters at AB Tower, 76 Le Lai, District 1, Ho Chi Minh City.
- Closed 3 Thang 2 transaction office in Ho Chi Minh City.
- Voted as "Best Brokerage Firm in Equity Research in Vietnam, 14th in Asia" - awarded by Institutional Investor.
- Voted as "The Best Local Brokerage in Vietnam 2011, The Best Analyst in Vietnam together with 15 other major accolades" - awarded by Asiamoney.
- Voted as "Rising Star Domestic Investment Bank in Vietnam" - The Triple A Country Awards 2011 by The Asset magazine, marking the development of investment banking activities in HSC.
- Received Gold Award for annual report in Financial Capital markets by US-based LACP.
- Ranked 194 out of 1,000 companies contributing most to national budget.
- Ranked No.2 in the brokerage market share out of 105 securities firms across the country.
- Ended 2011 as the most profitable firm out of 105 securities firms (of which 63 firms reported losses).

2012

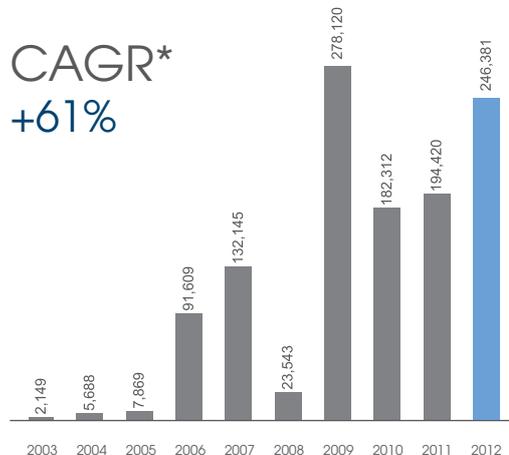
- Increased charter capital to over VND 1,008 billion.
- Established Cho Lon transaction office in Ho Chi Minh City, closed Ba Trieu and Lang Ha transaction offices in Hanoi.
- Officially launched direct connection to both networks Bloomberg and Reuters by FIX (Financial Information Exchange) - standard electronic protocol for pre-trade communications and trade executions.
- Voted as "Best Brokerage House in Vietnam" at the Country Awards 2012 by FinanceAsia, and Triple A Country Awards 2012 by The Asset magazine.
- Honored "Best Local Brokerage in Vietnam" and 21 other major accolades - Asiamoney Brokers Poll 2012 by Asiamoney magazine.
- Received Platinum Award for annual report in Financial - Capital markets, and 6 other accolades at LACP 2012 Vision Awards, by LACP.
- HSC is the only securities firm in the industry listed in Vietnam's Top 50 Performing Companies 2012, by Nhip Cau Dau Tu magazine.
- Received "The M&A advisory firm of the year 2011 - 2012" at M&A forum Vietnam 2012.
- Ranked No.1 in the brokerage market share in Vietnam.

FINANCIAL HIGHLIGHTS

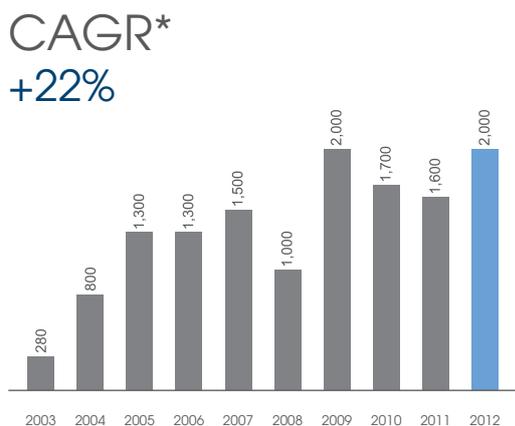
Revenue (VND Million)



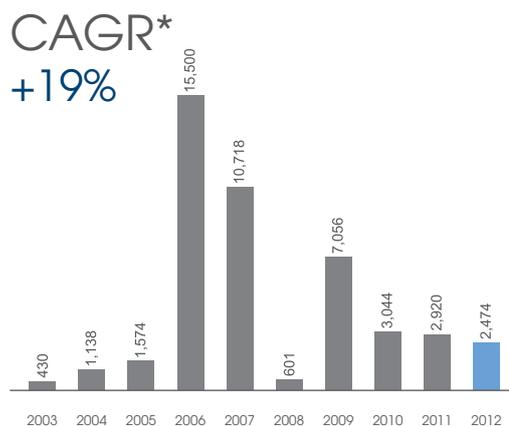
Net Profit After Tax (VND Million)



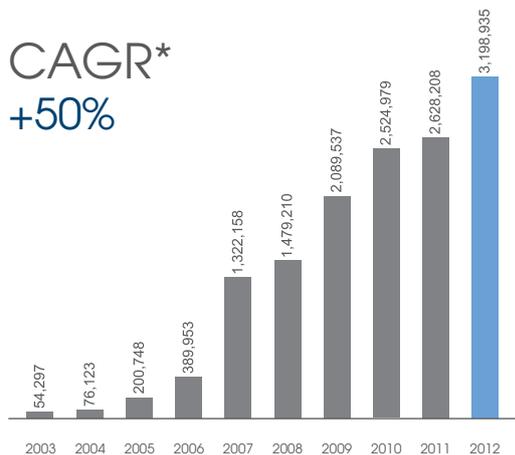
Cash Dividends Per Share (VND)



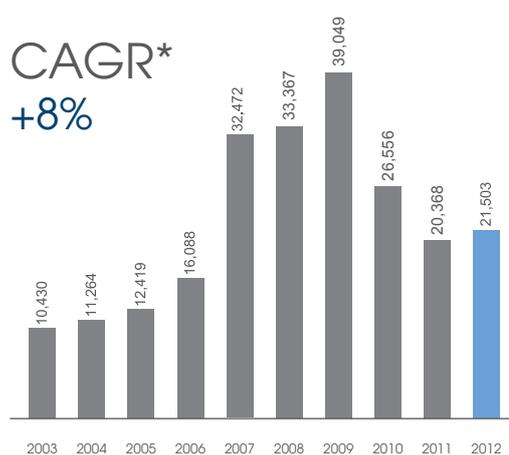
Basic Earnings Per Share (VND)



Total Assets (VND Million)



Book Value Per Common Share (VND)



CAGR*: 10 years compounded annual growth rate

STATEMENT OF INCOME (VND million)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenue (net)	5,088	10,684	16,550	119,654	230,513	128,123	409,868	354,538	397,041	472,898
In which:										
- Brokerage and sales (net)	99	509	706	7,650	33,517	32,601	91,736	109,171	63,590	101,244
- Principal investment (net)	926	7,932	12,380	103,033	174,179	(6,676)	216,514	(13,566)	(377)	18,164
- Private placement investment	-	-	-	-	-	-	-	39,986	-	-
- Investment banking	1,396	1,182	2,054	2,897	3,543	8,719	3,039	4,576	25,422	12,950
- Credit income	-	-	457	4,886	13,301	30,547	43,296	153,015	163,306	220,016
- Interest income	2,667	1,061	953	1,188	5,973	62,932	55,283	61,355	145,100	120,524
Operating expenses	2,915	3,328	10,065	18,313	50,275	71,922	85,361	127,509	160,163	161,229
Provision/(reversal) for doubtful debts	-	-	-	-	32,082	32,654	(11,807)	(872)	(10)	4,825
Operating profit	2,173	7,356	6,485	101,341	148,156	23,547	336,314	227,901	236,889	306,844
Extraordinary profit/(loss)	(24)	(1,668)	1,872	(135)	(58)	(4)	-	-	-	-
Profit before tax	2,149	5,688	8,357	101,206	148,098	23,543	336,314	227,901	236,889	306,844
Profit after tax	2,149	5,688	7,869	91,609	132,145	23,543	278,120	182,312	194,420	246,381

BALANCE SHEET (VND million)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total assets	54,297	76,123	200,748	389,953	1,322,158	1,479,210	2,089,537	2,524,979	2,628,208	3,198,935
Shareholders' equity	52,149	56,318	62,094	160,881	646,303	1,316,046	1,538,496	1,589,171	2,028,968	2,162,514

FINANCIAL INDICATORS	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Return on average equity (ROAE)	4.1%	10.5	13.3	82.2	32.7	2.4	19.5%	11.7%	10.7%	11.8%
Return on average assets (ROAA)	4.0%	8.7%	5.7%	31.0%	15.4%	1.7%	15.6%	7.9%	7.5%	8.5%

EQUITY'S VALUE	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of issued shares	5,000,000	5,000,000	5,000,000	10,000,000	20,000,000	39,463,400	39,463,400	59,999,686	99,848,637	100,848,637
Weighted average number of ordinary shares	5,000,000	5,000,000	5,000,000	5,910,334	12,329,627	39,200,372	39,415,855	59,900,668	66,584,584	99,600,128
Basic earning per share - VND	430	1,138	1,574	15,500	10,718	601	7,056	3,044	2,920	2,474
Book value per common share - VND	10,430	11,264	12,419	16,088	32,315	33,367	39,049	26,556	20,368	21,503
Dividends - VND	280	800	1,300	1,300	1,500	1,000	2,000	1,700	1,600	2,000(*)

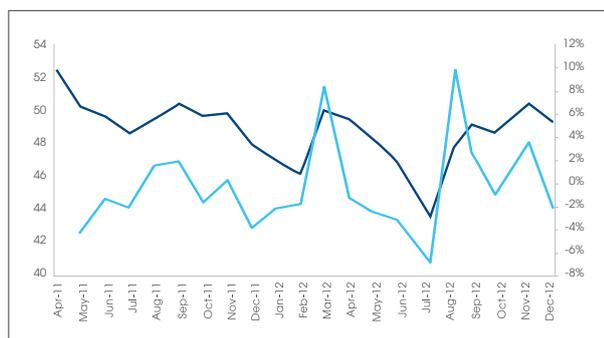
(*) Estimated for Y2012 and subject to final approval

(A) MACRO ECONOMY SHOWS GUARDED SIGNS OF LIFE

1. HSBC PMI turned positive in November before falling back again

- We have seen a pickup in new manufacturing orders leading to a positive PMI in November; an acceleration in overall credit growth in the last two months while over the same period thankfully inflation remains tamed. We have interpreted all of this as signs of a seasonal and not cyclical expansion for the time being.
- Having broken above the 50 lines in November for the first time in 14 months, the HSBC PMI promptly fell back to 49.3 in December. Overall then this was a slightly disappointing report although it appears that the PMI is still hovering fairly close to the 50 level albeit on the wrong side of the line this time. The critical factor appears to be a lack of traction on new orders; either domestic or export. The weak export side is slightly puzzling to us given signs of regional demand recovery but may reflect the increasing high-tech bias of Vietnamese manufacturing exports. While the domestic economy remains sluggish despite some q/q improvement as shown by the Q4 GDP release. On a brighter note however stocks of finished goods continued to decline as output prices fell again. Input prices then dipped slightly while employment in the sector expanded for a second month.
- Indeed given the recently published sluggish GDP number for FY2012 it would be wrong to overstate what we are seeing. However given the long period of decline in the manufacturing industry for example, any recovery however tentative is promising. After all, with credit growth limited and confidence low the recovery was always going to be a hesitant affair to begin with.

HSBC PMI absolute index level vs m/m % change

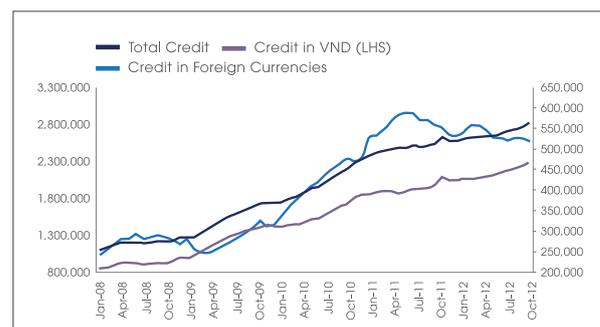


Source - HSBC

- HSC's sense is that the PMI will continue to hug either side of the 50 level for some time until either regional export demand picks up or we see some improvement in domestic demand. It appears however that neither will happen that soon. Hence HSC's prediction that a sustained cyclical up-cycle will not begin before Q2 this year. The reasoning behind this is the normal slow start to the year with the lead-up to the Tet holidays having a distortive effect on most economic indicators (Q1 GDP always falls q/q; while credit growth usually doesn't pick-up speed until March).

2. Credit growth sped along at year-end

Credit growth sped along at year-end



Source - GSO, HSC estimates

- The media has announced that FY2012 total credit growth rose 6.7% y/y while we estimate total deposits expanded by 14.7%. Then we understand that money supply (M2) expanded by about 19.5% y/y.
- Based on this we estimate that VND credit growth expanded by about 10.4% while foreign currency credit growth dropped 5.8% y/y. Then it looks like VND deposit growth was up just over 20% y/y while foreign currency deposits fell by about 5.5%.
- The overall loan to deposit ratio (LDR) seems to be around 84% while foreign currency loans have dropped back to just 18.5% of the total loan book. Based on these numbers it seems that year-end credit growth accelerated with overall growth well over 1% m/m for the last two months while VND average credit growth alone was over 2% m/m over the same period.

The media has announced that FY2012 total credit growth rose 6.7% y/y while we estimate total deposits expanded by 14.7%.

- Given that the year-end also sees a rush to borrow that is not unusual in itself. However we also note that compared to previous years m/m growth rates for VND credit in November/December were slower than average of course but not by as much as you might expect. In fact the pattern was quite similar to 2009.

VND credit growth at year-end (2008-2012)

Q4 monthly VND credit growth m/m % change				
Year	October	November	December	Total cumulative
2008	0.5%	1.4%	6.4%	8.3%
2009	1.9%	1.2%	1.7%	4.8%
2010	3.4%	2.0%	5.1%	10.5%
2011	0.6%	1.7%	5.5%	7.8%
2012	0.9%	1.5%	2.4%	4.9%

Source - GSO; HSC calculations

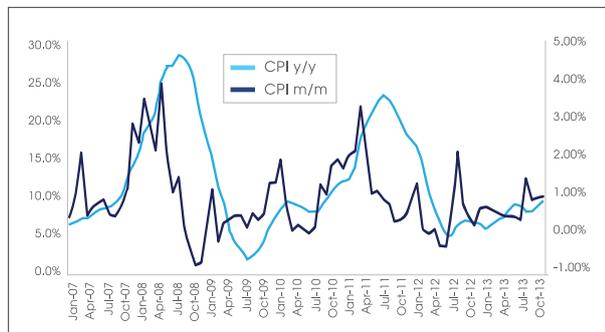
- HSC forecasts that FY2013 credit growth will accelerate slightly to 8%. We expect to see some genuine new loans being made but also concede this number will be partly driven by continued loan extensions (re-scheduling of existing underperforming loans with easier terms) and then partly driven also by the low base effect for foreign currency lending in 2012.
- We think that the steady decline in the US\$ lending will taper off and anyway now being a smaller percentage of the total it will have a lessening drag effect on the overall growth rate going forward.

3. Money supply growth was strong in FY2012 but mostly stayed in the banking system or was used to buy bonds

- One of the interesting anomalies of FY2012 was the huge gap between M2 and credit growth. M2 expansion is mainly a function of deposit growth which itself is driven by fractional reserve banking (central bank injects money which is then re-deposited around the system many times growing the overall deposit balance as it does so).
- So while deposits were growing close to their normalized long-term trend the money was not being lent out. Where did it all go? Well for one thing banks were very active buyers of bonds in FY2012. The SBV has estimated that banks bought a net VND 180 trillion worth of bonds last year.
- This type of gap between M2 and credit growth has been widely seen in other countries since 2008 and reflects central bank determination to keep the banking system well supplied with liquidity while heightened credit risk means that the money is not lent out as would normally happen. In this as the interbank market has also shrunk much of it has ended up in the repo market where bonds are used as collateral to lend money to other banks (a safer form of interbank market effectively).
- And once again in FY2013 we suspect that M2 growth will exceed credit growth by a wide margin again. So as we predict 8% growth for credit we forecast M2 growth of 20% y/y. This has to be monitored carefully though as over time M2 growth feeds inflation. However given that it does so mainly through credit growth this is not a major concern for the time being.

4. CPI has been fairly tame in recent months

CPI - m/m and y/y trend



Source - GSO; HSC forecasts

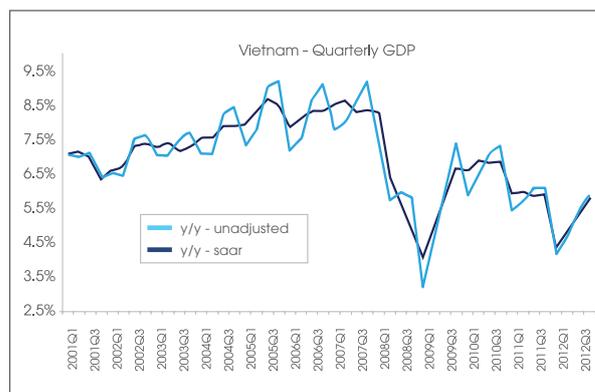
- December CPI rose 0.27% m/m and therefore 6.81% for the full year. Both were slightly below our expectations (we looked for a full year number just above 7%). For this time of year the recent monthly numbers have been uncharacteristically tame suggesting weak pricing pressure. Of course lower petrol prices have been helpful while the burst of healthcare and education related price hikes seen in Q3 have now dropped out of the numbers.
- We still keep our FY2013 forecast of 9% for CPI based on accelerated food prices and some petrol; utility and other government services price hikes during the year.
- On a side note we see that the Ministry of Industry & Trade (MOIT) took the opportunity of the low inflation numbers to announce a 5% increase in electricity price effective from 22nd December. Under current regulations you will recall that a 5% or less increase can be suggested by the EVN and agreed to by MOIT without seeking permission from the MOF. The electricity increase itself is not a surprise just perhaps the timing of it. We also forecast that electricity prices will increase again by 10% in FY2013.

5. Which allowed for another interest 100 bps rate cut

- On the weekend of the 21st - 23rd December, the SBV cut all rates by 100 bps. Thus they reduced the deposit ceiling rate from 9% to 8%; the discount rate from 9% to 8%; the refinance rate from 10% to 9% and the overnight rate from 11% to 10% (all effective from Monday 24th December). The rate cut was expected but cutting all official rates at the same time sent a fairly strong signal that the authorities are determined to bring down the average cost of funding as much as they can; inflation allowing.
- This preceded the release of the December nationwide CPI showing another low number. Q4 CPI was low and clearly gave them a bit of wiggle room to cut rates. And with the economy still weak they have decided to go for it.
- In HSC's opinion this latest rate cut is likely to be the last in the current cycle. CPI looks to have bottomed out and indeed core CPI is already back in double-digit territory. The central bank places great store by currency stability and won't want to reduce returns on VND (deposit rates in other words) to levels that might tempt money back into US\$ again.
- In terms of a broader macro economic impact we don't expect much of a reaction to this latest cut. Though we see a seasonal pick-up, the ongoing tight credit picture won't change much as banks remain credit risk averse for structural reasons.

6. FY2012 GDP came in somewhat below expectations

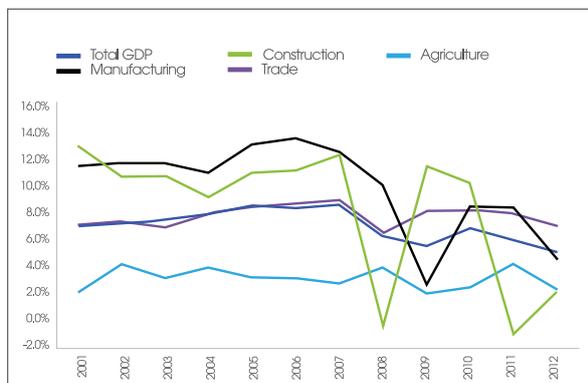
Vietnam - Quarterly GDP



Source: GSO and HSC Calculation

- FY2012 GDP was recently announced at 5.03% which was below our own 5.5% forecast and also below the government's own revised forecasts of 5.2-5.3%. Q4 which is usually the biggest quarter of the year, showed some acceleration in activity. But still less than we expected and thus pulled down the full year number.
- SAAR Q4 grew 5.8% y/y (and 2.1% q/q) which was an acceleration from the 5.3% y/y seen in Q3 and roughly the same rate of growth we saw in Q4 2011 (5.9%). Still it wasn't enough to rescue the whole year. Full year FY2012 SAAR GDP grew by 5.1%.
- Looking at the key components, the key reason for the disappointing final number was that growth in the largest segment; manufacturing almost halved y/y to 4.5%. Manufacturing accounts for about 26% of total GDP so this matters. Growth in agriculture also almost halved. Then the construction sector barely managed to show any positive growth while the retail sector grew but at a slower pace than in FY2011.

GDP and key components (y/y % change)



Source - GSO; HSC forecasts

Manufacturing sector performing far below optimal growth levels

- 5% GDP looks close to a baseline growth level to us driven only by such factors as demographics; urbanization and export growth but then only limited support from increased economic activity and actual wealth creation on top of that. In

our opinion a developing economy like Vietnam needs to grow faster than that to meet all expectations.

- Since FY2008 growth in the key sectors such as manufacturing and construction, to a lesser extent have slowed down considerably. We put this down largely to lack of access to credit which is required to grow working capital and help manufacturing businesses expand. While credit did expand rapidly between 2008 and 2011 it is clear that most of it did not end up in the hands of private sector manufacturing companies (the GDP series offers clear proof of that).
- For GDP growth to return to a normal trajectory, it would require a cleanup of the banking system followed by a redirection of credit flows to more productive use. And given the likely protracted nature of the required cleanup we don't expect this to happen until 2015-2016 or so. Meantime activity will accelerate but at a moderate pace.

We keep our FY2013 forecast unchanged calling for 5.4% growth

- HSC calls for 5.4% GDP growth in FY2013 on somewhat faster growth in the manufacturing sector coupled with a continued recovery in the construction sector. However we expect agriculture to grow at the same level as we saw in FY2012 while we see only a slight acceleration in the retail sector.
- This view is driven by our belief that credit growth rates will increase only slightly while domestic demand will remain fairly sluggish. However we do expect a cyclical demand recovery in the region leading to increased demand for exports.
- Overall then FY2013 will show some improvement to FY2012 in terms of growth prospects due to a limited cyclical recovery in some sectors. However HSC believes that a full return to normalized cycle growth in the economy is unlikely until the 2-H of 2014 at the earliest.

7. Some hints of bottoming in the HCMC residential real estate market as prices have dropped

- The real estate market has had a torrid time of it in FY2012 with little by way of new product sales while cash collection from previous sales remains a bother for most real estate developers. We have seen a stream of price cuts in many projects while some developers have resorted to various promotions.
- Before the holidays we spoke to many real estate developers & some real estate agents extensively on the current environment across all major market categories. Following those meetings plus some we have come to the following conclusions (the price forecasts below are our own).
 - a. There is no major supply overhand in the primary or secondary HCMC residential market;
 - b. Absorption rates have bottomed out on recent price cuts and demand has returned to selective projects;
 - c. Grade A office market in HCMC CBD is likely to come into balance in the next 12 months on a medium term view;
 - d. Occupancy rates in key towers are creeping higher but this process is ongoing;
 - e. Downside pricing risk in both office and residential categories in HCMC is maybe another 10 - 15% only;
 - f. West Hanoi remains a major problem with massive oversupply in every category;
 - g. However Hanoi CBD does not have a major oversupply problem in either the office or residential space;
 - h. Pricing in Hanoi is still 15 - 25% higher than that in HCMC and the market lags about 6 - 9 months behind the cycle in the south;

- i. So the downside pricing risk in Hanoi is correspondingly greater in our opinion;
- j. In conclusion the next 12 - 18 months should see a bottoming in the market with some places such as HCMC recovering sooner than that.

8. Structural problems - The NPL problem at SOEs and banks

- The list of chronic structural issues which has plagued the economy over the last five years have been largely dealt with and just one remains (or two related issues to be exact) - the NPL problem at SOEs and banks. Of course there are a lot of private sector's NPLs but the bulk of the problem is related to loans made from state-owned commercial banks to SOEs & related companies mostly between 2005 and 2011.
- And following a long internal debate it appears the will to start tackling this problem from this year has now reached sufficient momentum. A series of announcements before the year-end suggested that in the 1-H the necessary framework would be set up to start selling or transferring bad debt to special purpose vehicles.

Banking sector & SOEs NPLs will be tackled from 2013

- The high level of bad debt in the banking sector and high indebtedness of some SOEs are two sides of the same problem. The process of gathering sufficient information about the scale of the problem in both areas has now moved up a gear and should be completed by the end of the 1-H FY2013.
- The authorities are hoping that about VND40,000-50,000 billion worth of bad debt can be tackled in FY2013 with the balance being handled in subsequent years. It looks like the Vietnam Asset Management Company (VAMC) will have the starring role here.

A gradual approach appears to be preferred

- SOE debt accounts for about 21% of the total loan book (not including bonds). We think this number is rather understated however as it does not take into account debt owed by hundreds of related companies which are often classified as SMEs instead. The SBV has recently estimated that NPLs came to VND 240 trillion as at the end of September 2012 or 8.8% of the total loan book. Of this it was estimated that state-owned commercial banks accounted for 44.26% of the total while private banks accounted for a further 35.3%.
- Cleaning up the NPL problem will only move as quickly as restructuring of the banks and SOEs. In our opinion this means it will proceed gradually over a few years. The complexity of the problem; the lack of in-depth information as to its size and scale and then the paucity of available resources to clear it up all point to a gradual approach. HSC thus believes it will take 3-5 years to tackle the problem. Some of the residual problems will take even longer to deal with.
- A more accelerated approach would (1) require far more resources than we have to hand (2) require an active role from multilateral agencies (3) risk seriously if short term macroeconomics dislocated. The Asian crisis carries both recent memories and some harsh lessons in this respect.

(B) HSC FY2013 MARKET VIEW SUGGESTS A MORE POSITIVE YEAR IN PROSPECT

1. Current sentiment has improved on a seasonal macro pickup and an active reform phase

BUY signals for the Vietnamese stock market in 2013

	Primary / Secondary	Likelihood in next 3 months	Likelihood in next 6 months	Likelihood in next 12 months
Macroeconomy changes				
1 Early signs of a cyclical pickup in the manufacturing sector	Primary	Medium	High	High
2 Low inflation; trade surplus and positive BOP	Primary	High	High	High
3 Bottoming in residential real estate market in HCMC	Primary	Low	Medium	Medium
Monetary policy changes				
1 Lifting of lending rate cap for most sectors	Secondary	Medium	High	High
2 Banks allowed to lend according to their individual capability	Primary	Low	Medium	High
3 Credit growth to accelerate slightly	Primary	Low	Medium	High
Structural change				
1 Tackling of NPL issue from 2-H FY2013 once VAMC is set up	Primary	Low	High	High
2 Lifting of foreign ownership limits perhaps using non-voting shares	Primary	Low	Medium	High
3 Ongoing SOE reform with asset sales and perhaps partial sale of listed company stakes	Secondary	Low	Medium	High
Other factors				
1 Incoming M&A activity in banking and other key sectors	Primary	High	High	High
2 Moving up value chain for exports especially high tech exports	Secondary	High	High	High

Source - HSC forecasts

The economy has shown some recent signs of life suggesting a very mild seasonal pick-up in domestic demand after a long period of decline.

1. Current sentiment has improved on a seasonal macro pickup and an active reform phase (continued)

The economy has shown some recent signs of life suggesting a very mild seasonal pick-up in domestic demand after a long period of decline. We also see that various existing and new tax breaks and VAT extensions have been rolled into 2013. Chief amongst these is a move to cut corporate income tax (CIT) for small and medium enterprises first and then for all companies (by a smaller amount from 25% to 23% perhaps) subject to National Assembly approval. Plus smart tax breaks for sectors including social housing in an attempt to put a floor under the real estate market. With budget constraints on the fiscal side these moves don't amount to large outlay of resources but being targeted at specific areas of the economy they are likely to have some beneficial impact.

Nobody denies that the road ahead is challenging and that this year may hold some surprises both good and bad. However after a long period in the slow lane we finally have a sense of forward momentum. And that above everything else is what the stock market is celebrating at the moment. We see the current move extending for another month or so with 15-20% upside potential. Near-term the market looks overbought so we would buy on weakness. Looking further ahead investors may turn more

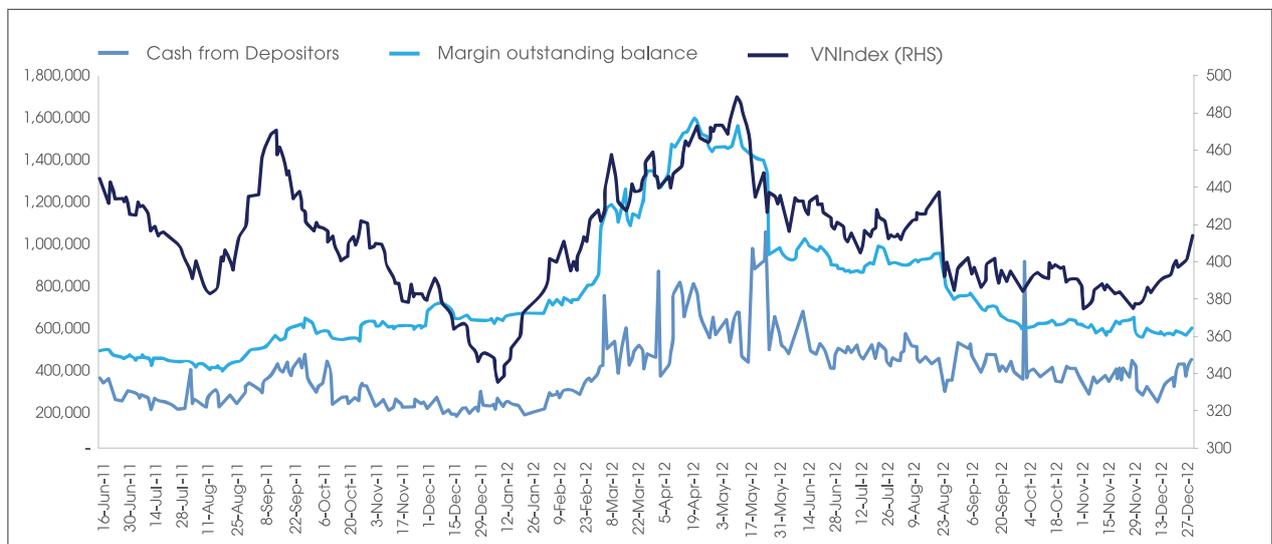
cautious as we enter Q2. At that point we will get an update on NPLs; first bottom up numbers published by banks themselves as they issue FY2012 audited results in March/April, followed by a top down assessment from the IMF-World Bank towards the end of the 1-H.

This may give the market some renewed concerns over the late spring and early summer and lead to a correction. However as the process of buying NPLs gets underway in the 2-H we suspect the market may recover its poise in Q3 and end the year on a fairly strong note. The underlying economy is not expected to grow that much however we forecast that listed corporate earnings will see a return to double digit top and bottom line growth in FY2013 as ongoing consolidation and cost cutting across a whole range of industries allows a bounce in demand accompanied by fatter margins. This will be underpinned in some cases by an improvement in regional ASEAN and Chinese demand as a modest cyclical uptick gathers some momentum during the year.

Of course there are many possible pitfalls as the scenario outlined above assumes there are no major missteps either domestically or overseas. Even so with valuations still low and a clear sense of direction coming from the top we can look forward to steady stock market gains this year albeit likely punctuated by some mid-year corrections. HSC thus has set a target of 550 for the VNIndex by the end of 2013.

2. Turnover improves as the retail investor returns with cash

Observable margin & cash deposits versus VNIndex

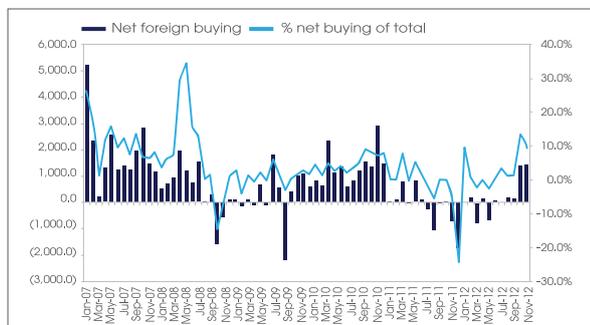


Source - HOSE; HSC internal data

- Turnover has picked up in recent weeks as both retail & foreign investors have returned to the market. Interestingly the margin trading balances, as tracked by HSC, have only begun to pick up in recent days.
- This is despite the fact that deposited cash balances also as tracked by HSC picked up from the beginning of December. This is an unusual pattern which is why it's important to track both cash balances and margin trading balances to get the full picture. It suggests to us that retail investors are willing to come back into the market but are still fairly cautious about borrowing money to do so. And they are only committing existing cash reserves for the time being.
- Ironically that makes the current rally more sustainable in our opinion as it is being largely funded by cash investment rather than borrowed money so far. At least this is what as far as we can tell anyway, which leads us to forecast that the current move to the upside has more to go in medium term. Of course as rallies mature the use of margin trading increases once investor's confidence increases and they begin to augment their cash investment with borrowed money.

3. Foreign investors turn more active also

HOSE Net foreign buying vs net buying as % of total



Source - HOSE

- Foreigners turned net buyers over the last two months and have made a significant contribution to the current rally. In FY2012 on HOSE foreigners bought a net VND 3,321 billion up 163% y/y suggesting that institutions see value in Vietnam at these levels.
- The pattern of foreign buying has been driven by a combination of new funds (new to Vietnam that is) and an increased exposure by some existing regional funds. We also have an ongoing process of distribution between some of the older country funds (whose teams are usually on the ground) and those newer funds who are looking for exposure to Vietnam. This has helped create a nascent foreign board in selected stocks where the foreign ownership room is full and where blocks of shares now change hands at a premium (this obviously varies by stock).
- The rush of buying energy towards the year-end bodes well for the first part of FY2013. Of course it's too early to say if we will see a repeat of FY2010 where foreigners were net buyers every month. However we do sense that the very cautious approach adopted by foreigners in both FY2011 and FY2012 has now come to an end.

4. Technical indicators suggest near term resistance but beyond that we see more upside



Money flow index seems rather overbought short term

- The money flow index turned positive in early December and despite a brief dip mid-month, it has remained in positive territory since then. Short-term money flow had only been this high four times in the past. In three out of those four cases this represented the short-term peak.
- However, during the 2008 rally, when the money flow index reached high levels, after a short-term dip, the rally continued. And within weeks the money flow index was posting even higher levels. Our read is that we appear to be in overbought territory now and we may see a correction near-term. However we suspect that buyers will return on any sustained weakness.

HSC Model Portfolio focuses on best of breed in each sector

HSC Model Portfolio

Stock name	Ticker	Current rating	FY2013f sales growth	FY2013f net profit growth	Forecast EPS	Forward PE	Forward PB
Consumer goods & Pharma - Overweight							
Vinamilk	VNM	OUTPERFORM	17.1%	23.0%	8,115	10.84	3.86
Masan	MSN	OUTPERFORM	40.9%	37.9%	4,637	22.00	3.48
Kinh Do Corporation	KDC	HOLD	17.4%	52.8%	3,212	12.45	1.28
HAGL Joint Stock Company	HAG	OUTPERFORM	29.3%	77.5%	1,085	19.91	1.16
Bourbon Tay Ninh	SBT	OUTPERFORM	20.9%	17.7%	3,283	4.87	1.05
Hau Giang Pharmaceutical	DHG	OUTPERFORM	14.5%	10.2%	8,255	8.84	2.82
Traphaco	TRA	OUTPERFORM	11.3%	25.7%	11,423	7.62	2.05
Vinh Hoan Corporation	VHC	Unrated	26.7%	11.0%	5,424	4.59	0.72
Finance - Underweight							
Banks - Heavily underweight							
Vietcombank	VCB	OUTPERFORM	11.4%	9.8%	1,765	15.41	1.40
Military Bank	MBB	OUTPERFORM	9.2%	8.0%	1,855	6.74	1.07
Non-bank (Insurers & brokers) - Heavily overweight							
Bao Viet Holding	BVH	Unrated	10.3%	8.2%	1,476	26.02	2.31
Real estate - Underweight							
Vincom	VIC	OUTPERFORM	399.1%	301.2%	7,865	10.17	5.27
Development Investment Construction Joint Stock Corporation	DIG	BUY	51.8%	147.0%	809	15.82	0.69
Hochiminh City Infrastructure Investment Joint Stock Company	CII	BUY	112.0%	-45.9%	2,480	9.39	1.66
Manufacturing & logistics - Overweight							
Hoa Phat Corporation	HPG	HOLD	20.8%	30.6%	3,306	6.35	0.82
Hoa sen Group	HSG	BUY	18.90%	20.60%	4,536	4.23	0.93
Dry Cell and Storage Battery Joint Stock Company	PAC	OUTPERFORM	8.4%	9.3%	3,777	3.97	0.63
Phuoc Hoa Rubber Joint Stock Company	PHR	OUTPERFORM	17.5%	6.0%	6,089	4.61	1.10
Resource & utilities - Overweight							
PetroVietnam Gas	GAS	OUTPERFORM	26.0%	15.0%	5,029	7.93	2.15
Petrovietnam Fertilizer & Chemical JSC	DPM	OUTPERFORM	23.4%	7.7%	8,248	4.34	1.22
PetroVietnam Drilling and Well Services Joint Stock Co	PVD	OUTPERFORM	1.7%	14.6%	6,462	5.80	3.76
Vinh Son - Song Hinh Hydropower Joint Stock Company	VSH	OUTPERFORM	44.7%	23.4%	1,349	7.63	0.83
IT							
FPT Corporation	FPT	BUY	12.3%	7.4%	6,447	5.46	1.26
Small cap							
Vinasun	VNS	BUY	13.8%	42.2%	6,619	3.81	0.72
An Phat Plastic and Green Environment Joint Stock Company	AAA	Unrated	20.0%	8.4%	3,092	4.46	0.55
Drilling Mud Corporation	PVC	Unrated	15.1%	4.1%	2,603	5.03	1.02
Lam Thao Fertilizers and Chemicals Joint Stock Company	LAS	Unrated	5.3%	3.5%	6,688	4.11	1.60
Thien Long Group	TLG	OUTPERFORM	15.9%	25.6%	6,915	2.68	0.66

Source - HSC forecasts

- We remain underweight in banks & real estate stocks but would be overweight in consumer goods; manufacturing & logistics; resources & utilities and IT. We would also diversify the portfolio by looking at some small cap stocks. Incidentally we left out brokers as the two we like, SSI and HSC have their foreign room full and hence may be difficult for some investors to invest in.
- The common thread throughout the portfolio is companies with (1) good management (2) a leadership role in their sector or niche (3) focused business models (4) above average long term growth potential and (5) a reasonable financial position. And even in sectors where we are underweight we still find stocks that we like for the above reasons.
- Investing in the Vietnamese stock market is of course primarily a country decision but once the decision to invest has been made it's still very much a stock picking exercise in our opinion. And so while sector weights play a role at the end of the day performance in any portfolio will be made up a mosaic of individual performances from specific stock picks.

5. M&A activity accelerates as foreigners hunt for good assets

Recent large cross border M&A/ strategic investment into Vietnam

Company	Market price	Total market capitalization	Buyer	Nationality of buyer	Type	% stake	Number of shares	Price per share	Cost (VND)	Cost (US\$)	Premium to market price
Vietinbank	19,400	50,862,375,248,000	MUF-J	Japanese	Strategic investment	20%	655,400,000	23,068	15,118,767,200,000	723,385,990	19%
Bao Viet Holding	34,400	23,408,217,000,000	Sumitomo Life	Japanese	Strategic investment	18%	122,509,091	57,939	7,098,054,223,449	339,619,819	68%
Thang Long Cement	12,000	6,976,375,000,000	Semen Gresik	Indonesian	M&A	58%	245,000,000	19,592	4,800,000,000,000	230,000,000	63%
Prime Group	38,170	3,889,523,000,000	Siam Cement	Thai	M&A	85%	86,615,000	56,574	4,900,157,010,000	234,457,273	48%

Source - various media

- This year has seen some very large deals done by foreign entities in Vietnam. All are Asian with two Japanese banks and then two South East Asian corporations. Two deals amounted to a controlling stake while the other two were strategic partnerships. All have the common goal of getting a foothold in the Vietnamese market which is viewed as having excellent medium to long term growth prospects (the least heavily populated country in South East Asia at this early/mid stage of development).
- It is interesting that the two industries represented here; construction materials and banks have gone through a tough time in terms of demand and are undergoing major restructuring. Both industries are expected to emerge with far fewer players and the M&A activity appears to amount to positioning stakes in leading players to prepare for the next growth cycle.
- All buyers were prepared to pay a considerable premium to the market price. This is typical of regional corporations who unlike financial investors have a much longer time horizon and payback period. It seems that they are looking beyond the current cycle and willing to pay-up to position themselves alongside a major local player in their respective industry.

We remain underweight in banks & real estate stocks but would be overweight in consumer goods; manufacturing & logistics; resources & utilities and IT.

(C) AUTHORITIES CONSIDER STOCK MARKET MEASURES TO IMPROVE SENTIMENT

The Ministry of Finance (MOF) has been aware for some time that the stock market needs a radical shakeup in order to push development to the next stage. With the long term bear market arguably entering its sixth year by some measures something has to be done. The authorities are proposing reform along four main lines as follows:

- Firstly, restructuring the industry itself to reduce and eliminate marginal brokers in order to improve profitability and thus strengthen the financial performance of the remainders. This is essential before new products such as derivatives can be launched given that they require a sophisticated risk management platform & strong financial base in order to be safely traded.
- Secondly, looking at ways to encourage foreign investment by making the trading code/account opening procedure a little less cumbersome; then perhaps more importantly, coming up with a plan to increase foreign ownership limits either by raising it or creating a class of nonvoting shares.
- Thirdly, reviving the IPO process to equitize and list some large SOEs (telcos; Vietnam airlines and the brewers) and then perhaps also selling down government stakes in some listed larger companies to less than 50%.
- Fourthly, merging the two stock exchanges and introducing derivative products from 2015 - 2016 onwards in order to deepen trading and provide a broader platform for investors in the market.

1. Forcing a gradual restructuring of the brokerage industry

- The Vietnamese market is hopelessly over-brokered, and 71 of the 105 brokerage firms have posted losses in the past few years. This acts as a brake on the development of the stock market as it can only reform as fast as the slowest participant. Therefore the pressure to reform has grown.
- The Ministry of Finance has longed planned to restructure the brokerage industry by putting in place a stricter supervisory and regulatory regime, to be monitored by the State Securities

Commission (SSC) - the stock market regulator which comes under it. To this end several years ago it promulgated Circular No 226/2010/TT-BTC. However key elements of this circular related to usable capital ratio (usually called prudential ratios) for brokers only came into effect on April 1st 2012.

- The SSC has set a limit of 150 - 180% for the usable capital ratio (total usable capital against total risk value) to oversee their operation. They have then classified brokerage companies into 4 groups: healthy, normal, under monitoring and under special monitoring.

Four categories for brokers

	Healthy	Normal	Under control list	Under special control list
Prudential ratio	> 180%	150-180%	120-150%	<120%
Operational restrictions	None	None	Restricted from buying treasury shares, expanding investment portfolio or network	Restricted from buying treasury shares, expanding investment portfolio or network
Required action	None	None	Liquidate risky assets and increase capital	Liquidate risky assets and increase capital
Time period	None	None	12 months	4-6 months
Required prudential ratio for upgrade in classification	None	> 180%	> 180%	>150%
Punishment for failure to comply		None	Downgrade to special control list	- if retained loss > 50% of chartered capital --> temporary cessation of operations - if retained loss > 50% of chartered capital --> involuntary merger or cessation of operations

Source - SSC; various media

- Companies that cannot guarantee achieving the required ratio will be put under control (if the ratio hovers between 120-150% in each monthly report for three consecutive months), or will be put under special control (if the ratio is less than 120%, or the company fails to take measures within a reasonable time frame to tackle the problem).

Two levels of supervision and two levels of punishment

Placed under "monitoring" on control list	Time period (under circular 165 amending circular 226)	Operational restrictions
If the usable capital ratio falls between 120-150%	12 months (reduced from 18 months)	Restricted from buying treasury shares, expanding investment portfolio or network
Placed under "special monitoring" on special control list		Operational restrictions
If the usable capital ratio falls below 120%	4-6 months	Restricted from buying treasury shares, expanding investment portfolio or network
If the firm fails to improve its condition having been on control list for specified time		
May be asked to temporarily cease operations		Operational restrictions
If unable to meet its financial obligations	Unspecified but usually 6 months	Temporarily cease brokerage services
Although retained losses less than 50% of chartered capital		
May then be asked to cease operations		Operational restrictions
If the firm fails to improve its condition having been on special control list for specified time	Unspecified	Cease all brokerage operations
And retained losses exceed 50% of chartered capital		

Source - SSC; various media

- Then to bolster what is a fairly dimensional monitoring system, the SSC is also looking to improve risk management among brokers which has been traditionally weak. The SSC sent around a draft regulation on risk management for discussion. Besides the four major risks (market risk, payment risk, liquidity risk and operation risk), brokerages are also expected to consider other risks (business strategy, reputation, etc). The new regulation stipulates that risk management system must be set up on four different levels: BOD, Board of Supervisors & Internal compliance, Risk management Sub-committee and Risk management department.

2. Look at ways to encourage foreign investment

2.1 Move to simplify procedures for foreign account opening

- The MOF is about to sign off on measures to ease the account opening process for foreign investors. The traditionally convoluted system is becoming easier to navigate, saving considerable time.

2.2 Talk of improving foreign access by changing parameters for foreign ownership limit

- In recent weeks the Minister of Finance and senior SSC officials have both confirmed at separate public appearances that they are looking at proposals to tackle the foreign ownership limit (FOL) issue. This issue is urgent - seven out of the top twenty stocks by market cap have reached their FOL limits. A defacto foreign board has emerged in some of these stocks with premiums ranging from 10 - 35%.
- The SSC does allow deals outside of the daily limits but parties have to receive special permission on each trade. This temporary solution may work in a lackluster market with few large trades but it is ill-suited to deal with a recovery in foreign interest. The authorities are aware of this and seeking a better fix for the medium term. We see three possible approaches:

a) Non-voting depository receipts (NVDRs): allow investors to buy a special class of shares without voting rights but still enjoying full economic interests such as dividends. This would help enterprises raise capital without threatening existing shareholders control of the company in cases where the foreign ownership rate was already full - a similar system operates in the Thai market.

b) Raise the FOL for non-sensitive sectors:

whilst possibly putting in place some limit for the maximum stake any single foreign investor could hold is one possible approach. However over time this would allow foreigners to takeover wide swathes of Vietnamese industry which might not sit well with the national interest.

c) No investor foreign or local can hold over 10% without special permission:

this means that no one investor can hold over 10% stake in a company. Unless they seek permission to do so. The advantage is that this is a simple and fairly elegant approach that ensures ownership is widely distributed. This system appears to work best in a very large & liquid market like India. In a small market like Vietnam it is likely over time that the top twenty or thirty companies would end up being 80-90% owned by foreign investors if this method were applied. And even if those investors were unconnected and prevented from colluding it would still not sit well with the authorities in our opinion.

3. Exchange merger is mainly about finding a common platform

- The PM has set a target date of 2015 for merging the two main exchanges. They have also been given the mandate to develop derivative products over the next few years (index and selected commodity futures being the most likely first products).
- Merging both exchanges would streamline the regulatory & operational framework and in theory at least reduce costs. The main obstacles however are (1) the operating & IT platform is different (2) rules for listing new companies and daily trading patterns are also somewhat different.



Strategy in Action

BOARD OF DIRECTORS



1. Mr. DO HUNG VIET

CHAIRMAN

- 2011 – present : Chairman of the Board of Directors of Ho Chi Minh City Securities Corporation (HSC)
- 2010 – present : Vice Chairman of the Vietnam Association of Securities Business (VASB)
- 2007 – 2011 : Vice Chairman of the Board of Directors of HSC
- 2006 – 2010 : Member of the Audit Committee of VASB
- 2003 – 2006 : Director of HSC
- 1998 – 2002 : Fund Manager of HCMC Investment Fund for Urban Development (HIFU)

2. Mr. LE ANH MINH

VICE CHAIRMAN

- 2010 – present : Deputy CEO cum CFO of Dragon Capital Group (DCG)
- 2002 – 2010 : Director of Dragon Capital Group (DCG)
- 1998 – 2002 : CFO of Coca Cola South East Asia Inc.
- 1993 – 1996 : Deputy Managing Director of Dai Nam Commercial J.S. Bank
- 1991 – 1993 : Project Director of Peregrine Vietnam Company

3. Mr. NGUYEN THANH LIEM

VICE CHAIRMAN

- 2010 – present : Deputy Director of Ho Chi Minh City Finance and Investment State-owned Corporation (HFIC)
- 2007 – 2009 : Deputy Director of HIFU
- 2006 – 2007 : Head of Pricing, State Department of Finance
- 2005 – 2006 : Director of Property Evaluation and Auction Center
- 1994 – 2004 : Head of District budget management, Head of Asset, Head of Budget, State Department of Finance

4. Mr. PHAM NGHIEM XUAN BAC

MEMBER

- 1999 – present : Director of Vision & Associates Company
- 1989 – 1999 : Deputy Director of InvestConsult Group Vietnam

5. Mr. HOANG DINH THANG

MEMBER

- 2003 – present : Manager of Planning Department at HFIC
- 1997 – 2003 : Deputy Manager of Planning Department at HIFU
- 1993 – 1997 : Investment Specialist, IMC Company
- 1990 – 1993 : Deputy Head of Investment Department, Liksin Company

6. Mr. JOHAN NYVENE

MEMBER

- 2007 – present : CEO of HSC
- 2005 – 2007 : Branch Manager of HSBC in Hanoi
- 1998 – 2005 : Director of Global Banking at HSBC in HCMC
- 1990 – 1998 : Director of International Banking at Corestates
– First Union Bank, Philadelphia, USA

7. Mr. TRINH HOAI GIANG

MEMBER

- 2007 – present : Deputy CEO - COO of HSC
- 2005 – 2007 : Corporate Finance Associate Director of Dragon
Capital Markets Limited (DC)
- 2003 – 2005 : Studied MBA in the US, Fulbright Scholarship
- 2001 – 2003 : Credit Officer of Vietcombank
- 1995 – 2001 : Foreign Exchange Dealer of Vietcombank Treasury

AUDIT
COMMITTEE



1



2



3

1. Mr. VO VAN CHAU

CHAIRMAN

- 2009 - present : Consultant to the Management Team of TrustBank
- 2002 - 2009 : General Director of Phuong Dong Commercial Bank
- 1993 - 2002 : Branch Director of Asia Commercial Bank

2. Mr. DOAN VAN HINH

MEMBER

- 2007 – present : Chief Financial Officer of Saigon Co.op J.S
Investment and Development Company
- 1997 - 2007 : Chief Accountant of Saigon Co.op

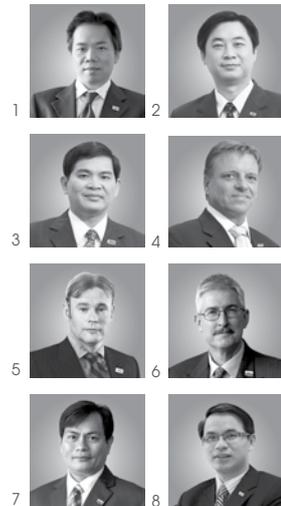
3. Ms. NGUYEN THI THANH VAN

MEMBER

Resigned on 02 July 2012

- 2003 - present : Chairwoman and CEO of Thien Phu Company
- 1996 - 2003 : Vice Chairwoman of VPBank

MANAGEMENT TEAM



1. Mr. JOHAN NYVENE

CHIEF EXECUTIVE OFFICER

- 2007 - present : CEO of HSC
- 2005 - 2007 : Branch Manager of HSBC in Hanoi
- 1998 - 2005 : Director of Global Banking at HSBC in HCMC
- 1990 - 1998 : Director of International Banking at Corestates - First Union Bank, Philadelphia, USA

2. Mr. TRINH HOAI GIANG

DEPUTY CEO - CHIEF OPERATING OFFICER

- 2007 - present : Deputy CEO - COO of HSC
- 2005 - 2007 : Corporate Finance Associate Director of Dragon Capital Markets Limited (DC)
- 2003 - 2005 : Studied MBA in the US, Fulbright Scholarship
- 2001 - 2003 : Credit Officer of Vietcombank
- 1995 - 2001 : Foreign Exchange Dealer of Vietcombank Treasury

3. Mr. LE CONG THIEN

ACTING DEPUTY CEO - MANAGING DIRECTOR -

HEAD OF BROKERAGE AND SALES, PRIVATE CLIENTS DIVISION

- 2012 - present : Acting Deputy CEO - Managing Director - Head of Brokerage and Sales, Private Clients Division of HSC
- 2010 - 2012 : Managing Director - Head of Brokerage and Sales, Private Clients Division of HSC
- 2008 - 2010 : Head of Small to Medium Enterprise Banking of ANZ Vietnam
- 2007 - 2008 : General Director of Cho Lon Securities J.S. Company
- 2004 - 2007 : Head of Commodity and Trade Finance/ Chief Manager of ANZ Vietnam
- 1998 - 2004 : Trade Sales Manager/Assistant Vice President; Relationship Manager of Citigroup/Citibank N.A HCMC, Vietnam
- 1996 - 1998 : Relationship Manager of Deutsche Bank AG HCMC, Vietnam
- 1992 - 1996 : Credit Officer of Vietcombank HCMC, Vietnam

4. Mr. JOHAN KRUIJMER

MANAGING DIRECTOR - CO-HEAD OF INSTITUTIONAL DIVISION

- 2007 - present : Managing Director - Co-head of Institutional Division of HSC
- 2005 - 2007 : Deputy Director of Krediet Bank Luxembourg (KBL), Monaco
- 2000 - 2005 : Senior Private Banker ABN at AMRO Bank N.V., Monaco
- 1995 - 1999 : Founder and Managing Director Institutional Clients at Asian Pacific Partners B.V. Amsterdam
- 1994 - 1995 : Senior Sales Manager (Europe) Institutional Clients at Mees Pierson Securities Asia N.V., Amsterdam
- 1988 - 1993 : Senior Investment Advisor Institutional Clients at Pacific Basin Invest Securities B.V. Amsterdam

5. Mr. FIACHRA MAC CANA

MANAGING DIRECTOR -
CO-HEAD OF INSTITUTIONAL DIVISION

- 2008 - present : Managing Director of Research Department -
Co-head of Institutional Division of HSC
- 2007 - 2008 : Head of Research and Brokerage Division of VinaSecurities
- 2006 - 2007 : Head of Research Department of VinaCapital
- 2003 - 2004 : Co-Founder of JCN Network - a leader in Japanese corporate news
- 1997 - 2003 : Head of Research for Japanese Equities at WestLB

6. Mr. EDWARD ALEXANDER GORDON

MANAGING DIRECTOR - HEAD OF INVESTMENT BANKING

- 2012 - present : Managing Director - Head of Investment Banking Division of HSC
- 2008 - 2012 : Business consultant active in bringing Japanese investors to emerging markets
- 2007 - 2008 : Portfolio manager and buy-side analyst covering financials,
real estate, construction & shipping at Ward Ferry Asset Management, Tokyo
- 2004 - 2007 : Sell-side analyst covering nonbank financial firms.
Promoted TSE Mothers listing for JI Japaninvest, Tokyo
- 1999 - 2004 : Sell-side analyst and Deputy Head of Research, covering banking
and nonbank financial firms. Seconded to IB securing M&A mandates,
and participating in underwriting and sales of domestic Japanese CB
and share offerings at WestLB Securities Pacific, Tokyo
- 1996 - 1999 : Investor relations and core team member of the ORIX NYSE Listing Team
for the dual listing on the US bourse and issuance of ADRs at ORIX Corporation, Tokyo

7. Mr. ARNOLD V. PANGILINAN

MANAGING DIRECTOR - HEAD OF INTERNAL AUDIT/COMPLIANCE AND LEGAL DEPARTMENT

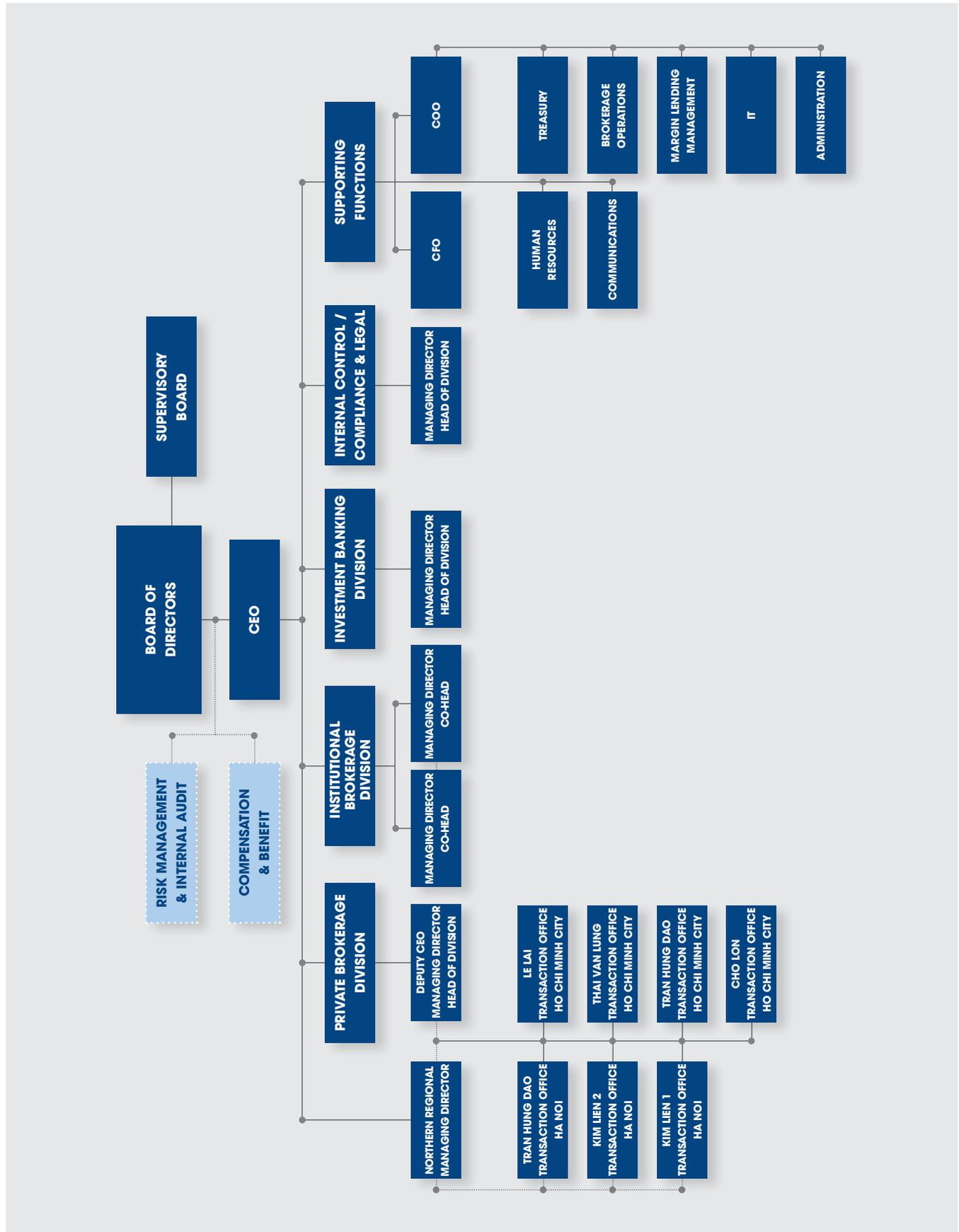
- 2012 - present : Managing Director - Head of Internal Audit/ Compliance and Legal Department of HSC
- 2010 - 2011 : Chief Financial Officer of JSM Indochina Ltd
- 2008 - 2010 : Compliance/Risk Manager, Controller of Indochina Capital Advisors Ltd /
Indochina Capital Corporation
- 2003 - 2008 : Chief Financial Officer of DHL-VNPT Express Ltd
- 1997 - 2002 : Financial Controller/Compliance Manager of HSBC Vietnam
- 1995 - 1997 : Financial Controller/Administration Manager of
Ing. G. Rodio SpA - a leading Italian construction firm

8. Mr. BACH QUOC VINH

MANAGING DIRECTOR - HEAD OF NORTHERN REGION

- 2007 - present : Managing Director - Head of Northern Region of HSC
- 2000 - 2007 : Unit Manager of Northern branch and Branch Manager of
General Agency franchise of Prudential at Nghe An and Ha Tinh
- 1997 - 2000 : Sales Manager - Coca Cola Hanoi

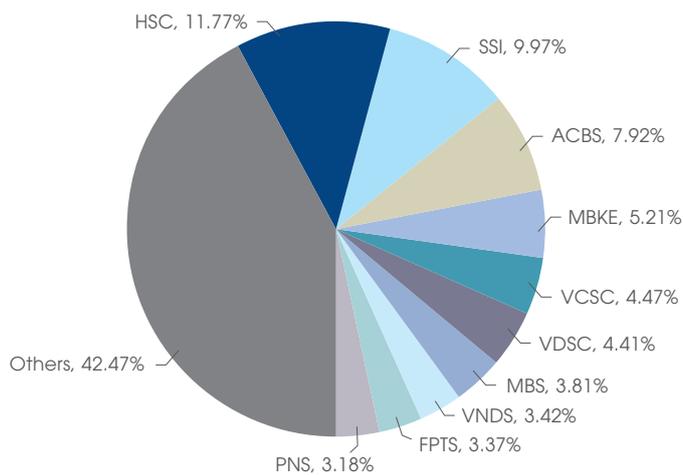
ORGANIZATIONAL CHART



PERFORMANCE ANALYSIS BROKERAGE MARKET SHARE IN 2012

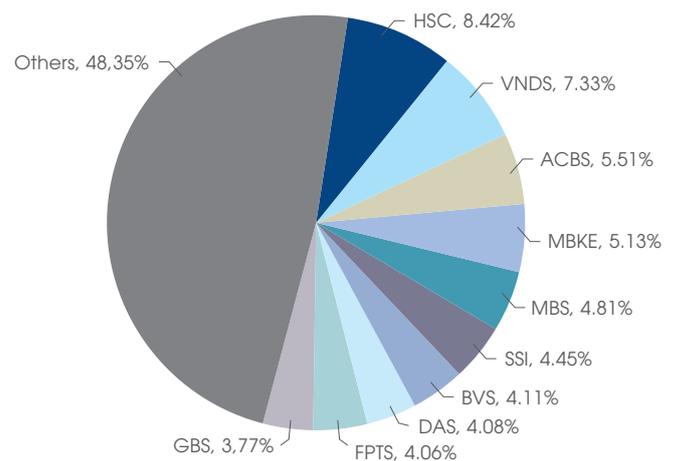
Market share	FY2012		FY2011		Growth %
	%	Rank	%	Rank	
Per Stock Exchange					
HOSE	11.8	1	8.2	2	44
HNX	8.4	1	6.4	3	31
Total	10.2	1	7.2	2	42
Per Client type					
Institutional Clients	3.2		2.6		23
Private Clients	7.0		4.6		52
Total HSC	10.2	1	7.2	2	42
Foreign market trading in Vietnam's market					
HSC	24.6		17.6		40

1st on HOSE



Source - HOSE

1st on HNX



Source - HNX

PERFORMANCE ANALYSIS

PRIVATE BROKERAGE DIVISION

The Vietnam stock market was characterized by both highs and lows over the course of 2012.

The four keys periods could be divided as follows:

- 1. January to May 2012:** The VNIndex experienced continuous gains, up from 350 to 492 points, to record a growth of 40% over the period. This brought confidence and renewed interest back to equities for investors after over a year of gloom
- 2. May to August 2012:** The authorities focused on transparency and diligently applied strict management to the laws of trading and activities of companies and business leaders. Focus was made on dealings that appeared to have derogated the reputation of the stock market. This news was welcomed by both securities houses and investors, whom had sensed the market was being subjected to irregular activities, however, the VNINDEX struggled over this period, and turned back from 492 to 437 points, by 20 August 2012, or a fall of 11%.
- 3. August to November 2012:** The regulatory oversight activities became public with the announced arrest of a "prominent businessman and banker" on 21 August 2012. This sunk the VNIndex further, to 372 points by 5 November 2012, which meant that the VNIndex lost almost all the outstanding momentum gained during the first 4 months of 2012. A quiet and gloomy sentiment covered the market until early November, as business leaders, and investors, contemplated both the market, and the efforts of the State in re-building respect for the rule of market law.
- 4. November to December 2012:** When rumors of the change in key and majority shareholders of Sacombank were being reported, along with other positives such as another interest rate cut, and the establishment of the Vietnam Asset Management Company (VAMC), the market recovered. Within around 40 sessions, the VNIndex headed up to 413 points at the year-end, to record a gain of 18% year over year.

In such a turbulent market, the Private Clients Brokerage & Sales Division (PBD), in late 2011, targeted a growth of 20% y/y, and sought to achieve an average market share of 5.5% in 2012. Given how 2012 turned out, this target might have initially been viewed by some as an already challenging endeavor.

However, by focusing on our clients and abiding by market trading regulations, the PBD kept up with our goal. By the end of the first quarter 2012, we achieved a commendable 40% growth in brokerage market share and had many client's portfolios outperforming the VNIndex's rise. By quarter end, our Private Clients Division accounted for a respectable 6.46% of Vietnam's total stock market.

Together with the Institutional Brokerage & Sales Division (IS) - who gained 3.05% market share in the same period, HSC became the largest brokerage firm in Vietnam by the end of the first quarter 2012. Through work and servicing our customer's needs, we retained the number one position through until the end of the year, and finished 2012 with an average market share of 10.2%, or 42% growth year on year. The PBD's outstanding achievement of 7% market share, 53% year-on-year growth and, 28% above the target, was the result of our employees understanding our customers' needs and our long term investment strategy in IT, research and operations from previous years.

1. Research Team for Private Clients Division - Meeting the customers' demands

- "Providing customized news rather than off-the-shelf reports". We view customers of our Research Team as being not only clients of HSC but also the brokers of the PBD. Clients and brokers alike require research that is presentable and understandable and market leading.
- In 2012, the Research Team for PBD focused intensively on customers, continuously improving their reports, methods and technology to quickly provide information as well as support to their customers. This enabled customers to make appropriate decisions and improve their investment results.
- Simultaneously, HSC analysts have actively provided their prompt views on extraordinary issues or arising technical price sensitive movements that affected market trends and were pro-active in market index and stock forecasting. This helped all customers to be more active and confident in their sell/buy decisions.

- In 2012, the Research Team developed further working relationship with listed enterprises to enable more timely and transparent updates to their business activities. This delivers HSC research to investors and, importantly, also assists enterprises to be more diligent in their operating activities and achieving transparency to investors and the public.

2. Training and improving brokers' expertise - Specialization

- Since 2011, the Private Clients Division has implemented training programs for the heads of branches, heads of transaction offices and team leaders. After participating in the training programs, these leaders were requested to train their staff on technical analysis, fundamental analysis, company procedures and regulations (existing and as updated) and to disseminate other information from the market regulators.

The program has enabled us to improve brokers' knowledge and skills; however, it has not been consistent amongst all branches in terms of training materials, training frequency and target trainees, so it will remain a focus issue over 2013 to standardize procedures.

- To overcome the above mentioned weakness, we nominated a full-time trainer to fulfill the above mentioned gaps observed during 2012 with several results:
 - Surveying and identifying brokers' need of training.
 - Designing training materials with practical case studies that match brokers' needs which were reflected on the surveys.
 - Opening 4 training classes for brokers in both Northern and Southern offices.

The deployment of a specialized Broker Trainer (personally experienced in brokerage) helps PBD's brokers to step-by-step improve their professionalism.

3. Seize opportunities - expand market share

Since the end of 2011, HSC has taken advantage of the gloomy market situation by actively approaching quality securities firms that had their Private Brokerage Services compromised and sought opportunities to acquire their Private Clients Brokerage Services. As an example, in June 2012, HSC acquired all the retail customers from the Cho Lon Securities Company and this acquisition increased HSC market share.

After 6 months of operation, the Cho Lon transaction office had increased efficiency such that it gained 0.6% of total market share - almost double the average market share of Cho Lon Securities over January to May 2012. In Q1/2013, Cho Lon transaction office continued to achieve good results, and its market share reached 0.9%, a comparable level with other HSC's transaction offices.

4. 2013 Targets

The achievements in the past year were as a result of the considerable efforts of HSC staff and the significant contribution from the brokers of the Private Clients Division. In order to maintain these results and further develop, the PBD is planning to re-structure and gradually move from an "extensive" growth model into an "intensive" one, as follows:

- Periodical training is to be prioritized to enhance knowledge and skills of brokers.
- Plans to re-study existing customers to fully understand customers' wealth management profiles, profit expectations and risk acceptance levels, then suggest appropriate investment portfolios to optimize ROI for customers in different market situations.
- Plans to clarify job descriptions, acquire international standard service levels, re-design workflows and improve efficiency.

PERFORMANCE ANALYSIS

INSTITUTIONAL BROKERAGE DIVISION

In 2012, consolidation of Vietnamese equities carried into its sixth year. This led to an increasingly difficult position for the Vietnamese stock market in institutional terms for three reasons:

- Domestic institutional investors were under great strain because they were only able to invest either in equities or switch to cash ('long-only'). This meant the potential to lose out on performance was high.
- Alongside this, foreign institutional investors were able to allocate funds to regional markets if their mandates allowed them to, which they often did. With most regional markets such as Thailand, the Philippines and Indonesia outperforming Vietnamese equities, there was even a greater incentive for foreign institutional investors to invest in them.
- Last but not least, the restrictions on foreign ownership in Vietnam reached a level where it became difficult for foreign investors to access Vietnamese market in a way that was balanced.

Tracking the growth of the Vietnamese economy has become increasingly difficult for dedicated long-term foreign portfolio managers (such as pension funds), and they have struggled to keep up with the economic performance of Vietnam.

Recently this discussion has moved forward; the possibility of greater accessibility is on the horizon, either in the form of increasing the foreign ownership limit for certain sectors such as non-strategic sectors, or in the form of Non Voting Depository Receipts (NVRD) such as in the Thai stock market. Having reached this stage, it is likely a solution will be found, one which will present a good opportunity for the stock market to attract more foreign funds, without potentially relinquishing legal ownership.

One of the sectors that has been singled out on this issue is the brokerage sector. Although there are other sectors where greater foreign participation would not be harmful, we believe it is right to pursue it within the brokerage sector. For example, the banking sector has its own problems at the moment although some banks would probably be receptive to more foreign participation, despite this being a disadvantage for the banking sector on a macro-economic level.

Over the past years, HSC's Institutional Brokerage Division has developed into a leading service provider for institutional investors – domestic as well as foreign – for the Vietnamese stock market. Despite the very difficult environment last year, we managed to consolidate and grow the Institutional Division in absolute terms of revenue as well as in terms of market share and client recognition.

Among the Institutional Clients, it became apparent that real value and earnings visibility were a sound fundamental valuation. On the other hand, foreign institutional investors realized that frontier markets such as Vietnam required special attention and were not by definition markets that they have mandatory exposure. This has resulted in a more careful approach to the Vietnamese equity markets as opposed to those of the bubble years 2006 and early 2007 when Vietnam was treated as a country with broad market exposure. Nevertheless, our visibility as well as our foothold among institutional investors has been growing. In Vietnam, we have been able to maintain and grow our position among the domestic professional investors. In the United States of America, our presence has grown significantly thanks to the longstanding relationship with our partner and leading emerging market specialist brokerage company Auerbach - Grayson. We are also making efforts in Europe and the Asia-Pacific region - now that Vietnam is more visible as a regional viable market, both areas have become more important.

But the challenge doesn't stop here

We realize that the landscape is getting more competitive and therefore in order to continue to provide our Institutional Clients with the best of breed of brokerage service, we have to continue to allocate resources to our three main pillars.

First and foremost, we expect to improve and enhance capacity of our Research Department. For a number of reasons, Vietnam continues to be an information-inefficient country and economy, and institutional investors require in-depth analysis of macro-economic developments as well as a clear understanding of sector and company specific information. We believe this is one of the most competitive parts of the service we provide to our clients.

A number of large investments in Vietnamese companies over 2012 have shown that there was a real pick-up in interest by foreign investors - this has continued into 2013.

Second, our trading and execution capabilities also continue to demand extra attention as institutional investors require flawless service. This means that our IT backbone is of utmost importance with regards to the level of service we are able to provide. Since 2012, HSC has used the FIX protocol to accept orders from clients via the Bloomberg network and further services will be introduced to facilitate electronic order settlement.

In addition, the goal of continuously looking to improve the service to our clients requires investment in people. As such our Institutional Team grew last year despite the difficult market environment. Going forward, looking for the right staff in sales and trading remains one of the big challenges.

It maybe that 2012 ushered in a turning point for Vietnamese equities - the macro-economic environment significantly changed with a stable currency, lower inflation, increasing foreign exchange reserves and we saw surpluses in the balance of payments and on the trade front. This improvement did not go unnoticed by foreign institutional investors and the trend of net inflows into the stock market has continued during the first months of 2013. A number of large investments in Vietnamese companies over 2012 have shown that there was a real pick-up in interest by foreign investors - this has continued into 2013.

And with the broad restructuring process underway, Vietnam has all the ingredients to once again become much more visible and attractive for institutional investors as the risk associated with investing in Vietnam declines to acceptable levels.

Since the bear market started six years ago, there has been a gradual shift from what used to be the standard investor segmentation to a start of a true division between private and institutional money.

With the deteriorating economy and equity prices gradually losing traction, domestic corporate investors (mostly treasury management) have retreated to the sidelines, while real institutional portfolio managers – fund managers, insurance companies and benchmark product managers – have come to the forefront.

This has been particularly evident in the increasing weight of foreign index funds such as Exchange Traded Funds. The recent indications of a potential domestic developing pension fund scheme will hopefully add to the institutionalization of the Vietnamese capital markets, as it has done elsewhere in other capital markets. And while this might appear to be a potential threat, history has proven that increasing competition and accessibility acts as an accelerator in terms of efficiency. This in turn is a more efficient use of capital, which remains a scarce commodity.

The Vietnamese economy and the capital markets are likely to see very significant changes over the coming years and the word that describes it all is 'restructuring'. The restructuring and further privatization of the State-owned sector, the restructuring of the banking sector, the tackling of the bad-debt problem, the restructuring of many private sector industries and last but not least the restructuring and development of the capital markets.

As the Institutional Department of HSC we look forward to and anticipate these changes. Now the 6-year bear market seems to have drawn to a close, the approach of institutional investors – especially foreigners – will change. The character of the market will also change with greater accessibility for foreign investors, which means that turnover in the market generated by this class of investors is likely to increase over 2013 and beyond. Therefore we are prepared for change both in terms of quality as well quantity.

PERFORMANCE ANALYSIS SUPPORT SERVICES

Extensive Range Of Value-Added Supporting Services

HSC is the leading financial and investment services provider in Vietnam, trusted by customers and voted as "The best securities firm in Vietnam". HSC leverages its market insights to develop great value-added products and services to support customers and investors in opening accounts at HSC.

Despite a turbulent market in the last couple of years, we remained the best in the field. There are many factors that have contributed to the success of HSC such as:

IT Operations

In order to deliver the most simple and efficient investment solutions to our clients, HSC is proud of being ahead of the market and applying cutting-edge technologies at reasonable costs.

- We have adopted the ISO 27001 to follow the C.I.A. (Confidentiality, Integrity, and Availability) protocol with a clear intention of bringing our information security under explicit control and management
- In the near future, we will also adopt the ITIL (Information Technology Infrastructure Library) protocol which is the most widely adopted approach for IT Service Management in the world. It provides a practical, no-nonsense framework for identifying, planning, delivering and supporting IT services in the business. It also underpins the foundations for ISO 20000, the first international standard for IT Service Management.
- We have in place the F.I.X (Financial Information Exchange) Connection which is the protocol for allowing smooth and thorough linkages between different trading systems. Thanks to this new feature, foreign clients can use either their Bloomberg or Reuters terminals to remotely place orders which then go directly into our system.
- Another key IT feature at HSC is the O.M.G.E.O system which allows automatic post-trade lifecycle back-office operations.
- Later in 2013, we will apply S.W.I.F.T (Society for Worldwide Interbank Financial Telecommunication) protocol which will allow international wire transfers and also the exchange of other messages between banks.
- In the near future, we will also apply the B.C .P (Business Continuing Plan) protocol to minimize the risk of interrupted system. We also have the C.R.M (Customer Relationship Management) project in the pipeline which will enable us to deliver the best management system to better serve our investors.

Securities Services

- HSC has already completed the standardized trading processes and the integrated procedures for risk management, and confidentiality of client information.
- A code of conduct for brokers has been built so as to align with our core values and the law.
- We are in the final stages of completing the procedures for becoming the distributor of open-ended fund certificates. We expect to have this service in place and be ready to serve investors at the end of Q1/2013.
- The BPI (Business Process Improving) project between HSC and an international advisor will be started in Q2/2013 with the main purpose of improving the efficiency of our operations. This project is expected to last for 2 years.
- We are also reviewing all legal procedures and contracts to make sure that they are standardized.

Margin Trading Product

With shareholder's equity reaching VND 2,163 billion, HSC has offered margin-trading customers stability and proactivity on investment opportunities without being dependent on bank financing. HSC is able to instantly process the funding request for large transactions. Implementing a highly-disciplined customer account management system, the HSC Margin Trading product not only ensures fairness but also enhances the security of investment for all customers.

The HSC Margin Trading product provides outstanding conveniences such as:

- Strong capital base to fund margin trading at HSC;
- Flexible credit limit to satisfy customer's need;
- A wide selection of designated margin stocks and in compliance with the law;
- Fast procedure to activate margin account;
- Automatic calculating on the available balance before the bid order is matched. Proceeds from sold securities are instantly added to available balance, therefore it is unnecessary to apply for cash advance;
- Managing margin account according to margin loan ratio;
- Changes to margin loan ratio will be notified by SMS to update movements in margin position within the day.

Investment Deposit Service

HSC considers the clarity of investors' deposits and investment safety as a top priority in order to maintain the company's high ethical standard and build customer trust. At HSC, investors have two options of maintaining funds for investments. They may open a direct account with HSC (should there be a need to facilitate margin trading) or open a deposit account



with a bank. Having relied on HSC's capacity, the majority of customers choose to open a general account at HSC to conduct margin trading. Currently, HSC has one of the highest Capital Adequacy Ratios (CAR) in the market. The firm has clearly separated access to HSC's capital and investor's capital by maintaining several designated accounts in the banks. This is to ensure HSC's total deposit always exceed investors' deposits.

With the investors, HSC operates as a credit institution where the investors deposit their funds into a general account managed by HSC. With the financial strength and transparency of HSC as well as the clear separation in using capital, HSC is well trusted by customers. By using HSC's general account, customers enjoy more convenience, faster and favorable transactions and incorporating access to margin trading service of HSC.

In line with our long-term strategy, HSC is implementing co-operation with well-known banks in terms of software development to manage personal deposit accounts of HSC's customers in those banks. The systems of HSC and those banks will be connected to promptly provide information on account balance, clearing payment for customers as currently being performed in HSC. With this service, customers in the future will open deposit accounts at a bank and still enjoy benefits of transaction speed as well as HSC products like our margin products.

At HSC, we derived fees from servicing ongoing client needs in 2012 and also made some notable accomplishments - the completion of a major M&A transaction in the pharmaceutical sector, and a number of corporate finance projects.

Issues in both the global and domestic economies and financial sectors led to depressed conditions across in all facets of Investment Banking in 2012. Low market liquidity and pricing curbed IPOs, tighter lending conditions and lower market confidence created a tough environment for M&A and other corporate finance activities.

At HSC, however, we derived fees from servicing ongoing client needs in 2012 and also made some notable accomplishments - the completion of a major M&A transaction in the pharmaceutical sector, and a number of corporate finance projects.

The major M&A transaction saw HSC's Investment Banking Division (IBD) help local company DOMESCO Medical Import-Export Joint Stock Company secure a strategic investor, Chilean CFR International SPA, to replace existing financial investors and facilitate further growth in its operations. The landmark deal was the first time a foreign strategic partner had acquired a stake in a listed Vietnamese pharmaceutical company, with CFR obtaining 40% from five investor funds.

HSC was engaged exclusively to represent the syndicate of institutional investors in their efforts to find an appropriate strategic investor. Supporting the company through all facets of the transaction, HSC provided advice on valuation, deal structuring, shortlisted potential partner candidates, negotiation and execution. The deal showcased the overall strengths of HSC's IBD and delivered a result that

more than satisfied the Company and its shareholders, and also its partner investor.

As a gauge of success from HSC's point of view, it is pleasing to note that HSC is leveraging off the know-how developed through this deal in working on further transactions in the pharmaceutical sector. In 2013's IBD hopes to assist another major, private manufacturer secure investment from a major North American player, and has received further enquiries regarding the sector from both domestic and international firms.

We also secured a number of solid longer-term leads in a variety of sectors which will stand us in good stead for the next 12 to 24 months.

For example, Vinachem, a strategic client of HSC since 2009, is under-going a 5-year restructuring plan approved by the Prime Minister. According to the plan, they will become the national leader in the production of everyday chemicals and chemical products for agriculture. The group will also divest itself of non-core businesses including insurance, securities, and oil refinery by the end of 2015.

Vinachem's restructuring plan promises to generate more work for HSC in the future including equitization and IPO, divestment of non-core subsidiaries and other corporate finance works. Developing strategic relationship with large corporate groups is within HSC's IBD long-term strategy to secure stable source of works to weather through difficult times of the market.

Given HSC's preeminent position in advisory and securities services, HSC's IBD hopes to leverage off the market-leading position our Brokerage and Research Divisions have developed to help these companies further enhance their position in the domestic market and, in some cases, look to expand their horizons overseas. Projects, such as IPOs we are working on draw together these skills and resources.

Whether via product offerings in equity or debt capital markets, M&A advisory, private placements, or other financial services (including restructuring and capital planning), we hope to work closely with clients, regardless of where they are in their corporate evolution, to provide bespoke solutions that best meet their specific requirements.

SUPPORTING ONGOING CLIENTS' NEEDS

<p>April 2012</p>  <p>HONG HA STATIONERY JSC</p> <p>CONSUMER GOODS</p> <p>PRIVATE PLACEMENT SOLE ADVISOR</p>	<p>August 2012</p>  <p>MINERAL FERROUS METALLURGY JSC</p> <p>MINING</p> <p>LISTING SOLE ADVISOR</p>	<p>May 2012</p>  <p>CU CHI COMMERCIAL & INDUSTRIAL DEVELOPING INVESTMENT JSC</p> <p>INDUSTRIAL PARK</p> <p>PRIVATE PLACEMENT SOLE ADVISOR</p>	<p>July 2012</p>  <p>KHANG DIEN HOUSE TRADING AND INVESTMENT JSC</p> <p>REAL ESTATE</p> <p>SHARE DIVIDEND ISSUANCE SOLE ADVISOR</p>
<p>June 2012</p>  <p>SOUTHERN FERTILIZER JSC</p> <p>CHEMICAL</p> <p>SHARE DIVIDEND ISSUANCE SOLE ADVISOR</p>	<p>April 2012</p>  <p>LAM THAO FERTILIZERS AND CHEMICALS</p> <p>CHEMICAL</p> <p>AGM HOSTING SOLE ADVISOR</p>	<p>December 2012</p>  <p>TAN THUAN INDUSTRIAL PROMOTION CO. LTD.</p> <p>INDUSTRIAL PARK</p> <p>RESTRUCTURE SOLE ADVISOR</p>	<p>September 2012</p>  <p>NAM LONG INVESTMENT CORPORATION</p> <p>REAL ESTATE</p> <p>PRIVATE PLACEMENT SOLE ADVISOR</p>

2012 marked one of the most difficult years for Vietnam's economy as major macroeconomic issues came to the fore.

1. Overall

2012 marked one of the most difficult years for Vietnam's economy as major macroeconomic issues came to the fore. The global economy continued to deleverage, a process which is expected to go on for the coming years. Internationally, the knock-on effect of slow recovery in the US economy and the European crisis was paralleled with slow growth in emerging markets, including Vietnam.

Domestically, we have seen low aggregate demand, increasing cases of bankruptcy, rising NPLs in the banking sector, frozen real estate market, ailing stock market, high lending-rate environment and sharp decline in credit growth. Therefore the SBV strictly followed those policies aiming to stabilize the economy.

And 2013 is unlikely to signal the end of this turbulent time. The Prime Minister has recently approved the Master Plan on Economic Restructuring in 2013-2020 with a commitment to price stability. In Vietnam, the credit-to-GDP ratio declined to 101% in 2012 from 121% in 2010. This process is set to continue for the next few years, keeping growth at around 5% or so.

2. Capital Used

Unit: VND

FY2012	Stocks	% of Total	Bonds	% of Total	MM	% of TOTAL	TOTAL
Year beginning	141,808,781,227	17.8	20,596,836,384	2.6	633,800,000,000	79.6	796,205,617,611
Year end	201,990,253,133	9.1	271,536,836,384	12.2	1,751,700,000,000	78.7	2,225,227,089,517

Based on stormy market conditions in 2012, we followed a cautious investment strategy by allocating more than 80% of total used capital in government bonds and cash. And at the end of 2012, in light of falling interest rates, we invested more in bonds, but treasuries only.

PERFORMANCE ANALYSIS TREASURY & PROPRIETARY INVESTMENT DIVISION

3. Performance Review

Unit: VND

Revenues	FY2011 As of Dec. 31, 2011	FY2012 As of Dec. 31, 2012
Stocks	(4,706,000,000)	12,167,000,000
Capital Gain		
<i>Realized</i>	(3,713,000,000)	9,442,000,000
<i>Unrealized</i>	(6,804,000,000)	(1,591,000,000)
Dividend	5,811,000,000	4,316,000,000
Bonds	2,200,000,000	6,231,497,568
Capital Gain		
<i>Realized</i>	-	176,000,000
<i>Unrealized</i>	-	849,497,568
Interest	2,200,000,000	5,206,000,000
Deposit income	168,264,000,000	131,305,000,000
Income from Repo/Reversed Repo	31,821,000,000	48,936,000,000

In 2011 when the stock market was volatile and the interest rate was high, we maintained a strictly conservative strategy by keeping our assets in the majority as cash deposits, to ensure safe deposit incomes.

However, in 2012, as the market began to recover and interest rates dropped off, cautiously we began allocating more in bonds and stocks, resulting in a more diversified source of income. In 2013, given the mixed view of the market we continue to follow a cautious but flexible approach in our investment and trading strategy.

PERFORMANCE ANALYSIS TREASURY & PROPRIETARY INVESTMENT

4. Investment Portfolio - As of 31/12/2012

Unit: VND

Symbol	Shares	Cost Basis	Market value
HOSE+ HNX			
VFMVFA'	1,864,360	15,155,357,361	10,999,724,000
VFMVF4	1,003,410	4,314,663,000	4,415,004,000
VND	810,000	7,306,694,656	7,614,000,000
SAM'	730,000	4,939,000,000	5,402,000,000
VTB	452,415	8,560,710,211	3,393,112,500
LCG	389,920	2,728,735,206	3,080,368,000
HSG	359,930	6,531,733,000	6,910,656,000
HPG	358,200	7,149,191,000	7,522,200,000
DIG	351,933	4,440,548,661	4,504,742,400
HAG	275,980	6,017,075,737	5,961,168,000
SSI	269,920	4,067,994,724	4,399,696,000
MSN	69,160	6,680,803,630	7,054,320,000
VFMVF1	44,420	366,505,368	479,736,000
DPM	39,990	1,423,644,000	1,431,642,000
CTG	39,990	715,821,000	827,793,000
OTHERS (In small volume)	10,668	157,995,726	118,768,100
UPCOM	1,004	8,892,872	6,765,900
Total	7,071,300	80,565,366,153	74,121,695,900
OTC			
Total	4,981,492	121,931,661,200	80,371,110,000
Fixed Income			
QHB0813072	200,000	20,596,836,384	21,017,328,986
TD1217038	500,000	50,708,000,000	55,313,222,342
TD1215176	2,000,000	200,232,000,000	211,502,319,538
Total	2,700,000	271,536,836,384	287,832,870,866

5. Investment Strategy for FY2013

Although the macroeconomic picture is still unclear, economic stability is showing signs of slow recovery thanks to supportive factors in the stock market. These include the potential establishment of the Vietnam Asset Management Company (VAMC) in Q2 and the expansion of foreign room under the form of NVDR. Thanks to these key drivers, we expect the stock market to rally in the latter half of the year. We will remain vigilant to take advantage of these more favorable conditions.

On the bond side, we will continue to build up our bond portfolio (mostly short-term Treasury bonds) based on the following strategy:

- The goal of becoming a primary dealer in the bond market.
- As the deleveraging process continues, the business environment is still turbulent and interest rates still need to fall.
- The SBV continues to maintain good liquidity in the system and therefore it is possible that short-term yields might drop further.
- Despite a reform mindset, it is difficult to tell how committed the government is to its implementation of the Master Plan. Whether the government can resist the pressure to pump cheap credit to inefficient sectors or not, remains to be seen. Therefore, the long-term outlook for inflation is still mixed and we will keep investment in long-term bonds.

As interest-rates are no longer a sustainable source of income, we will redirect our focus towards our brokerage business using value-added investment tools such as new products relating to ETFs, open-ended funds, stock index futures, derivatives.



Practicing Integrity

SHAREHOLDERS' INFORMATION

SHARE OWNERSHIP

No.	Name	Position	Number of shares owned as of 15/03/2012		Number of shares changed in shareholders' term				Number of shares owned as of 14/03/2013	
			Quantity	Percentage %	Increase in shares	Percentage %	Decrease in shares	Percentage %	Quantity	Percentage %
BOARD OF DIRECTORS										
1	Do Hung Viet	Chairman	144,375	0.00143			50,000		94,375	0.00094
2	Le Anh Minh	Deputy Chairman	35,175	0.00035					35,175	0.00035
3	Nguyen Thanh Liem	Deputy Chairman	0	0.00000					0	0.00000
4	Pham Nghiem Xuan Bac	Member, BOD	630,540	0.00625			100,000		530,540	0.00526
5	Hoang Dinh Thang	Member, BOD	0	0.00000					0	0.00000
6	Johan Nyvene	Member, BOD, CEO	225,333	0.00223	120,000	0.00119			345,333	0.00342
7	Trinh Hoai Giang	Member, BOD	159,708	0.00158	100,000	0.00099			259,708	0.00258
AUDIT COMMITTEE										
1	Vo Van Chau	Head, Audit Committee	13,858	0.00014					13,858	0.00014
2	Doan Van Hinh	Member, Audit	3,750	0.00004					3,750	0.00004
3	Nguyen Thi Thanh Van (Resigned in 02/07/2012)	Member, Audit	78,565	0.00078			50,000		28,565	0.00028
MANAGEMENT TEAM										
1	Johan Nyvene	CEO	225,333	0.00223	120,000	0.00119			345,333	0.00342
2	Trinh Hoai Giang	Deputy CEO	159,708	0.00158	100,000	0.00099			259,708	0.00258
3	Le Cong Thien	Deputy CEO	45,300	0.00045	100,000	0.00099	38,000		107,300	0.00106
CHIEF FINANCIAL OFFICER										
1	Lam Huu Ho	Chief Financial Officer	60,083	0.00060	50,000	0.00050	50,000		60,083	0.00060

OWNERSHIP STRUCTURE

Category	Domestic shareholders		Foreign shareholders		Total	
	Value (VND 10,000)	Percentage (%)	Value (VND 10,000)	Percentage (%)	Value (VND 10,000)	Percentage (%)
Total Equity Capital	51,432,811	51.00	49,415,826	49.00	100,848,637	100.00
State-owned Shareholders with above 5% ownership	30,000,000	29.75	31,424,400		30,000,000	29.75
Shareholders with above 5% ownership				31.16	31,424,400	31.16
Shareholders with 1% to 5% ownership	5,315,305	5.27	13,415,524	13.30	18,730,829	18.57
Shareholders with less than 1% ownership	15,834,820	15.70	4,575,902	4.54	20,410,722	20.24
Treasury Shares	282,686	0.28			282,686	0.28

SHAREHOLDER'S EQUITY RATIO

No.	Category	Stocks	Percentage (%)	Number of shareholders	Shareholder structure	
					Organization	Individual
	Total number of shares	100,848,637	100.00	2,478	79	2,399
1	Major Shareholders (above 5% ownership)	61,424,400	60.91	2	2	-
	- Domestic	30,000,000	29.75	1	1	-
	- Foreign	31,424,400	31.16	1	1	-
2	Securities Companies (above 5% ownership)	22,991,257	22.80	30	30	-
	- Domestic	6,420,535	6.37	11	11	-
	- Foreign	16,570,722	16.43	19	19	-
3	Other Shareholders	16,150,294	16.01	2,446	47	2,399
	- Domestic	14,729,590	14.61	2,373	43	2,330
	- Foreign	1,420,704	1.41	73	4	69
4	Treasury Shares	282,686	0.28			

MORE THAN 5% OWNERSHIP

No.	Name of Organization/Individual	ID/passport/Business Registration no.	Address	Number of stocks	Percentage of ownership %
MAJOR SHAREHOLDERS (WITH ABOVE 5% OWNERSHIP) - STATE SHAREHOLDER & STRATEGIC SHAREHOLDER					
1	HCMC Finance and Investment State-owned Company (HFIC)	0300535140 13/04/2010	33 - 39 Pasteur, District 1, HCMC	30,000,000	29.75
2	Dragon Capital Markets Limited (DC)	C00001 27/07/2000	Unit 1901, 19F Me Linh Point, 02 Ngo Duc Ke St., District 1, HCMC	31,424,400	31.16
TOTAL:				61,424,400	60.91

REPORT OF THE BOARD OF DIRECTORS

I. NOTES FROM MEETINGS AND DECISIONS OF THE BOARD OF DIRECTORS IN 2012

Given the instability of the stock market and business conditions in 2012, The Board of Directors worked hard to ensure the Management Team were fully supported. This was achieved through approving decisions and resolutions from the operations and leadership teams, keeping in compliance with the company's regulations and the law.

Instead of having meetings every three months, the Board consecutively held 10 meetings, of which six contained voting by written ballot with the Management Team (from 26 April 2012 to 26 April 2013). The issues authorized by the Board of Directors' jurisdiction are as follows:

- Approval for the record date of fixing the shareholder list for the 2nd dividend payment of 2011;
- Adjustment in remuneration for members of the Board of Directors;
- Approval for the Management Team's execution on brokerage service cooperation between HSC and Cho Lon Joint Stock Company;
- Approval for the reallocation of Hanoi branch from 06 Le Thanh Tong, Hoan Kiem District, Hanoi to Level 4 & 5, Building 66A Tran Hung Dao, Hoan Kiem District, Hanoi;
- Agreement on the establishment of Cho Lon Transaction Office at 633 Nguyen Trai, Ward 11, District 5, Ho Chi Minh city;
- Approval for the business results of the 1H- 2012;
- Approval for the Management Team's new investment in five IT projects;
- Approval for implementing the Corporate Risk Management Project with advisory from the Vietnam Price Waterhouse Coopers Ltd;
- Approval for the establishment of two sub-committees under control of the Board of Directors namely Risk management and Audit sub-committee and Remuneration-Human resource sub-committee;
- Approval for a loan contract with Bank for Investment and Development of Vietnam (BIDV);
- Approval for the 1st advance payment of cash dividend in 2012 with the ratio of 5%, the final registration day was on 10 October 2012 and the payment day was on 07 November 2012;
- Approval for the closing of the Lang Ha Transaction Office at 19 Lang Ha, Thanh Cong Ward, Ba Dinh District, Hanoi;
- Approval for the Management Team to buy/sell stakes of the Saigon Beer-Alcohol-Beverage Corporation (SABECO);
- Approval for the time, venue and content of the Annual General Meeting FY2012;
- Approval for 2013 Business Plan;
- Approval for main contents in the reports for Annual General Meeting FY2012;
- Agreement on the celebration day for 10-year anniversary of HSC.

The Standing committee of the Board of Directors regularly held meetings with the Management Team alternatively with meetings of the Board of Directors, to discuss and resolve as well as provide urgent decisions for issues under the Standing Committee's jurisdiction.

Decisions issued by the Board of Directors (From 26 April 2012 to 26 April 2013)

No.	Decision's number	Dated	Content
01	01/2012/QĐ-ESOP 2011	08 March 2012	The board of ESOP 2011 adjusted the List of staff who received shares on the ESOP program, signed on 21 December 2011 based on decision 01/2012/QĐ-ESOP.
02	02/2012/QĐ-HĐQT	04 April 2012	Decision to appoint Mr. Le Cong Thien to be Deputy CEO of the Company.
03	03/2012/QĐ-HĐQT	09 April 2012	Decision to appoint Mr. Le Cong Thien to be Acting Deputy CEO of the Company.

II. OPERATING EXPENSES AND REMUNERATION FOR THE BOARD OF DIRECTORS AND AUDIT COMMITTEE

1. Remuneration for the Board of Directors and Audit Committee in 2012

Pursuant to Decision no. 12/2011/NQ-HDQT dated on 21 December 2011 by the Board of Directors about the approval of remuneration for the Boards of Directors and Audit Committee, total remuneration of the Board of Directors and Audit Committee in 2012 areas follow:

a. Remuneration for the Board of Directors:

- Members of the Board of Directors:
7 members
- Total remuneration in 2012:
VND 533,333,328

b. Remuneration for the Audit Committee:

- Members of the Audit Committee:
3 members (Mrs. Nguyen Thi Thanh Van resigned from 02 July 2012)
- Total remuneration in 2012:
VND 253,333,332

c. Total remuneration for the Board of Directors and Audit Committee in 2012: VND 786,666,660

2. Operating expenses for the Board of Directors and Audit Committee in 2012

Total operating expenses for the Board of Directors and Audit Committee in 2012 are VND 2,202,412,732

III. DIRECTION OF THE BOARD OF DIRECTORS IN 2013

Thanks to continuing global and domestic economic pressures, the outlook for the Vietnamese stock market is set to remain gloomy into 2013. In order to remain in the top position among securities companies in Vietnam, the Board of Directors is committed to the following policies in 2013:

- Continuous reinforcement and improvement of the management of the company as well as the governance and risk management in finance, auditing, corporate risk management by establishing internal audit and risk management sub-committees;
- Continual and increasing transparency in business operations and improvement of the independent Board of Directors members' duties;
- Strengthening procedures and regulations of the company as far as it is appropriate within the business conditions and the law;
- Promoting strategic cooperation with strong and prestigious domestic private business groups as well as international institutions to improve HSC's competitive edge;
- Improving capital capacity by promoting the benefits of current products and services as well as researching and developing new products in compliance with international practices and standards, so as to fulfill customer's demands;
- Continual implementation of the business plan until 2015, especially focusing on M&A activities to retain HSC's competitive advantage;
- Developing and enhancing the corporate values on a sustainable foundation by creating a Corporate Social Responsibility (CSR) plan;
- Bringing forward the future leadership development programme at corporate management level.

REPORT OF THE AUDIT COMMITTEE

In 2012, despite the turbulence in stock market and difficulties in the whole economy, HSC performed well, continued leading brokerage market shares in both Hanoi and Ho Chi Minh exchanges and achieved the highest turnover ever.

According to HSC's Financial Statements in 2012 audited by Ernst & Young, the Audit Committee acknowledged that the statements gave a true and fair view of the financial position, cash flow and the company's operation results in the financial year from 01 January 2012 to 31 December 2012.

In 2012, despite the turbulence in stock market and difficulties in the whole economy, HSC performed well, continued leading brokerage market shares in both Hanoi and Ho Chi Minh exchanges and achieved the highest turnover ever. Specifically, in 2012, HSC earned VND 562 billion revenue, equal to 113% of the target plan of VND 497 billion, or an 17% higher than 2011's turnover (revenue in 2011 at VND 480 billion).

The profit before tax gained in 2012 stood at VND 307 billion, approximately 106% of the AGM approved target plan in 2012 of VND 288 billion and 30% higher than that of 2011 (The profit before tax in 2011 was VND 237 billion).

Profit after tax reached VND 246 billion, approximately 107% of the targeted plan for 2012 at VND 230 billion and increased by 27% y/y (profit after tax in 2011 at VND 194 billion).

Basic financial features:

	Key Ratio	FY 2012	FY 2011
1	Liquid Capital Safety Ratio	746%	1,035%
2	Liquidity Ratio		
a	Current ratio (times)	2.79	6.09
3	Capital structure		
a	Total Debt/ Total Assets Ratio (times)	0.32	0.23
b	Owner's Equity/ Total Equity (times)	0.67	0.77
4	Profitability ratios		
a	ROAE (Return on Equity)	11.75%	10.74%
b	ROAA (Return on Assets)	8.45%	7.54%
5	Basic earning per share (VND)	2,474	2,920

HSC's total assets reached VND 3,199 billion, increased by VND 571 billion (22%) comparing with 2011. The owner's equity was valued at VND 2,163 billion, rising VND 134 billion (7%) in comparison with 2011. Liabilities and borrowings (bearing interests) limited at VND 110 billion, reduced by VND 100 billion in comparison with 2011.

The capital adequacy ratio as well as other basic ratios in terms of debts, loans and liquidity all met high standards.

Activities of the Audit Committee

The Audit Committee headed by the Chairman represents the shareholders. Its purpose is to supervise all business operations, management and governance of HSC. The Committee holds meetings quarterly to supervise and evaluate the business results of the Corporation.

In 2012, the Audit Committee supplied all information regarding the Board of Directors' decisions and regularly attended meetings held by the Board of Directors. This enabled them to keep updated with all information and provide suggestions to the Board of Directors, for example on internal control, investment, and risk management. Over the past year, the Audit Committee discussed and agreed with the Board of Directors on the establishment of risk management sub-committees and reinforcement of high-level staff for such important operation.

Mrs Nguyen Thi Thanh Van - Member of the Audit Committee resigned for personal reasons in 2012. We immediately disclosed the information as per the regulations and prepared documents to submit to the Shareholder's meeting in order to elect an additional member for the Audit Committee of HSC.



Results of supervision to members of the Board of Directors, Chief Executive Officer and other management executives

As monitored by the Audit Committee, management activities of the Board of Directors and the Management Team complied with the company's charter and the resolution of the shareholder's meeting. Despite sophisticated movements of the market and the volatile economy, the Board of Directors and the Management Team found appropriate and timely solutions, achieving a solid performance.

The Audit Committee cooperated effectively with members of the Board of Directors and Management Team in planning the sustainable development strategy, delivering annual targets to the Management Team and monitoring the implementation of plans. This has helped the Management Team to accomplish all targets in 2012.

Thanks to the clearly defined objectives of the risk management project implemented in 2012, the Audit Committee believes that the risk management, supervising and monitoring activities will apparently illustrate the condition of the system. As a result the Board of Directors, Management Team and other divisions will be able to continually improve the Corporation's operation moving towards better growth and a bigger appetite for risk in the long term.

Awards in the year



Awarded by **Asiamoney**

Best Local Brokerage in Vietnam 2012
Best Research Coverage for Strategy in Vietnam
Best Research Coverage for Macroeconomics in Vietnam
Best Research Coverage for Small Caps in Vietnam
Best Research Coverage for Banks in Vietnam
Best Research Coverage for Diversified Financials in Vietnam
Best Research Coverage for Energy in Vietnam
Best Research Coverage for Food & Staples Retailing in Vietnam
Best Research Coverage for Materials in Vietnam
Best Research Coverage in Technology Hardware & Equipment
Best Research Coverage in Utilities in Vietnam
Best Overall Sales Services in Vietnam
Best Execution in Vietnam
Best in Sales Trading in Vietnam
Most Improved Brokerage over the last 12 months in Vietnam
Best for events and/or conferences in Vietnam
Best for road shows and company visits in Vietnam
Most Independent Research Brokerage in Vietnam
Top 3 Best Analysts and Salesperson in Vietnam



Awarded by **The Asset and FinanceAsia**

Best Brokerage House in Vietnam 2012

Awarded by **M&A forum Vietnam**

The M&A advisory firm of the year 2011 - 2012

Awarded by **League of American Communications Professionals LLC (LACP)**

Platinum Award for 2011 Annual report
- Financial and Capital markets, and 6 other major awards

Awarded by **Nhip Cau Dau Tu magazine**

Vietnam's Top 50 Performing Companies

Awarded by **HOSE and VIR**

#16 in Top 30 Annual reports in Vietnam

HCM snapshot

Unit: VND Million	FY2010	FY2011	% y/y change	FY2012	Company target	% y/y change	Fulfilled
1 Revenue from brokerage services	151,051	90,904	-39.8%	145,027		59.5%	
2 Revenue from securities investments and capital contribution	59,435	30,345	-48.9%	29,807		-1.8%	
3 Other revenues (margin lending + interest revenue)	256,356	331,225	29.2%	370,118		11.7%	
4 Other services	4,006	28,016	599.4%	17,419		-37.8%	
5 Total revenues	470,848	480,491	2.0%	562,372		17.0%	
6 Revenue deduction	-	-		-			
7 Net Revenue	470,848	480,491	2.0%	562,372		17.0%	
8 Direct operating expenses	170,486	156,587	-8.2%	165,712		5.8%	
+ Operating expenses	182,444	173,058	-5.1%	167,370		-3.3%	
+ Provision expenses	(11,958)	(16,472)	37.7%	(1,658)		-89.9%	
9 Gross profit	300,363	323,904	7.8%	396,660		22.5%	
10 Administration expense	72,532	86,385	19.1%	89,974		4.2%	
11 Operating Income	227,831	237,519	4.3%	306,686		29.1%	
12 Other incomes	70	(630)	-997.8%	158		-125.0%	
13 Pretax profit	227,901	236,889	3.9%	306,844		29.5%	
14 Net profit	182,312	194,420	6.6%	246,381	230,000	26.7%	107.1%
Gross margin	64%	67%		71%			
Pretax margin	48%	49%		55%			
Net margin	39%	40%		44%			
Market price (end of period)	29,900	14,000		22,000			
EPS (VND)	3,044	2,920		2,474			
BVPS (VND)	26,556	20,368		21,503			
P/E (times)		7.53		8.89			
P/B (times)		1.08		1.02			
Market capitalization in VND million	1,789,274	1,394,645		2,212,451			
Market capitalization in US\$ million	85.20	66.57		105.35			

Price as of Mar 19, FY2013: VND 22,000

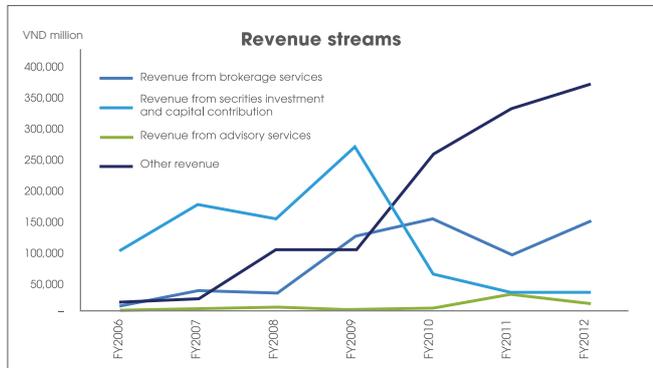
FY2012 result summary

- Total revenues grew 17% driven by a jump in brokerages revenues and a more modest increase in interest related income streams under the heading of other revenues.
- The pickup in market activity combined with decent market share gains boosted brokerage incomes while an increase in margin lending & repo activity helped offset lower interest incomes on term deposits
- These income streams then substantially offset a drop in the other services stream, which is mostly investment banking related.
- Moving lower down we can see that operating expenses were well controlled for a second year in a row. While net provisions were a negative number again, albeit by a smaller amount than during the previous year because provision reversals were lower.
- Operating expenses consists of direct costs like brokerage fees, any losses on trading activities, salary expenses, outsource service fees & depreciation. While provision expenses include provisions against trading activities only, consisting of both trading provisions and also trading provision reversals.
- Gross profits thus expanded well. While below that line, administration expenses also increased at a growth rate in the low single digits. Administration expenses consist of general costs such as management team salaries, rental fees and other outsourced service fees.
- Plus it includes any provisions for overdue receivables which also includes any provision reversal against previously overdue receivables. Net provisions came to VND 4.8 billion and VND -0.01 billion for FY 2012 & FY2011 respectively.

Key achievements in FY2012

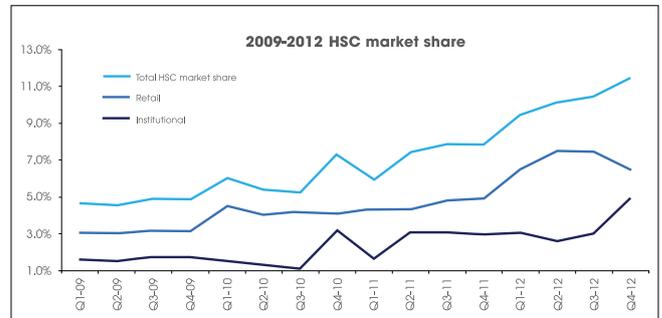
- **Market share jumped over 10%** - market share jumped from 7.2% in FY2011 to 10.23% in FY2012 as HSC captured a higher share of both retail and institutional business. This enabled HSC to become the largest broker overall for the first time. We note that retail customers have shifted more of their business over to larger brokers in what appears to be a flight to quality. HSC also engaged in some M&A activity by taking over the brokerage customers of Cho Lon Securities.
- **Balance sheet shifted to slightly higher risk assets as deposit interest rates fell** - From Q4 FY2012 HSC shifted its balance sheet towards a slightly higher risk weighting in response to falling deposit rates. By slightly reducing the weight of term deposits and increasing bond purchases this has allowed HSC to access higher yields through the bond repo market. Equity positions also increased in absolute albeit from a very low base.
- **HSC has now put in place an international standard risk management function** - Having commissioned a risk management review & report from the international auditing firm, PwC, HSC has already begun to implement the report's recommendations. The company has set up a three-men team that works under an expat Head of Internal Audit/Compliance and Legal which reports directly to the CEO. They have also set up corresponding sub-committees at the board level with an oversight role. This multi level structure will enable the company to carefully monitor the various risks on a minute by minute basis.

Income at a glance



- Following a challenging year in FY2011, last year brokerage revenues recovered well and came back almost to the highs recorded in FY2010. However other revenues which are mainly characterised by interest income from term deposits and margin trading activity grew more modestly and still accounted for the bulk of total revenues.
- Deposit interest income fell 17.4% y/y as deposit rates dropped from 16.3% at the beginning of FY2012 to 10.6% at the end. And if we look at average deposit rates this fell from 17.0% in FY2011 to just 11.1% in FY2012. However this decline was more than offset by higher income streams from margin lending activity and repos.
- We saw a higher than average balance for margin trading compared to FY2011 with the average margin lending balance increasing by 48% y/y. And while interest rates charged on, margin lending did fall; the decline was relatively small and occurred quite late on in the year in Q4.
- Then advisory related income dropped back sharply mainly on a tough y/y comparison. Investment banking as a rule tends to be lumpy and there was no repeat of the high fees earned from the Megastar deal in FY2011. Even so HSC did execute some smaller deals and substantially increased the deal flow into the pipeline for future execution.

Market share increases propel HSC to the top spot in Vietnam's stock markets in FY2012



- HSC's market share increased steadily through the year from 7.9% in Q4 FY2011 to 11.4% by Q4 FY2012. Whilst market share for the full year FY2012 rose to 10.2%. This was enough to push HSC into the number 1 slot overall on both exchanges for the whole year.
- Market share gains were driven by market share increases in both the retail and institutional business. The former saw its market share rise from 4.6% in FY2011 to 7.0% FY2012 (having gone as high as 7.5% in Q3 FY2012).
- While the latter's market share rose from 2.6% in FY2011 to 3.2% in FY2012. Foreign participation in the market increased somewhat during FY2012 and foreigners were also net buyers of equities to a moderate degree.

Divisional breakdown

Retail has a strong year as fee incomes surged

Retail key numbers

Retail (VND million)	2010				2011				2012				FY2010	FY2011	y/y	FY2012	y/y
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
Total revenues	60,962	79,215	62,808	56,843	51,137	43,739	41,500	42,478	65,599	98,076	63,888	44,513	259,828	178,854	-31.2%	272,076	52.1%
Brokerage	29,396	39,744	27,536	25,168	15,043	13,614	15,657	13,021	26,136	40,766	20,741	15,413	121,845	57,335	-52.9%	103,057	79.7%
Credit income	33,005	41,324	36,613	32,892	35,894	29,836	25,555	29,100	38,849	56,352	42,077	27,938	143,834	120,386	-16.3%	165,217	37.2%
Subtotal	62,401	81,068	64,149	58,060	50,937	43,450	41,213	42,120	64,985	97,118	62,818	43,351	265,679	177,720	-33.1%	268,274	51.0%
Other income	(1,439)	(1,853)	(1,342)	(1,217)	200	289	287	357	613	958	1,070	1,162	(5,851)	1,133	-119.4%	3,803	235.5%
Direct Expense	18,537	25,063	25,063	22,942	19,863	19,840	20,361	22,179	24,246	32,208	23,849	22,156	91,605	82,242	-10.2%	102,459	24.6%
Indirect Expense	5,351	6,327	5,041	7,903	7,406	7,907	9,064	9,705	8,607	9,263	9,841	9,899	24,622	34,083	38.4%	37,611	10.4%
Total expense	23,888	31,390	30,104	30,845	27,269	27,747	29,425	31,884	32,853	41,472	33,690	32,055	116,227	116,325	0.1%	140,070	20.4%
Profit before tax	37,075	47,826	32,703	25,997	23,868	15,992	12,074	10,594	32,745	56,604	30,198	12,459	143,601	62,529	-56.5%	132,006	111.1%
Total revenues	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%		100%	
Brokerage	48.2%	50.2%	43.8%	44.3%	29.4%	31.1%	37.7%	30.7%	39.8%	41.6%	32.5%	34.6%	46.9%	32.1%		37.9%	
Credit income	54.1%	52.2%	58.3%	57.9%	70.2%	68.2%	61.6%	68.5%	59.2%	57.5%	65.9%	62.8%	55.4%	67.3%		60.7%	
Direct Expense as % of income	30.4%	31.6%	39.9%	40.4%	38.8%	45.4%	49.1%	52.2%	37.0%	32.8%	37.3%	49.8%	35.3%	46.0%		37.7%	
Indirect Expense	8.8%	8.0%	8.0%	13.9%	14.5%	18.1%	21.8%	22.8%	13.1%	9.4%	15.4%	22.2%	9.5%	19.1%		13.8%	
Total Expense	39.2%	39.6%	47.9%	54.3%	53.3%	63.4%	70.9%	75.1%	50.1%	42.3%	52.7%	72.0%	44.7%	65.0%		51.5%	
Pretax profit margins	60.8%	60.4%	52.1%	45.7%	46.7%	36.6%	29.1%	24.9%	49.9%	57.7%	47.3%	28.0%	55.3%	35.0%		48.5%	
Total HSC revenue	106,328	141,228	110,840	112,523	96,507	105,339	142,086	136,661	158,605	171,847	114,297	117,925	470,919	480,593		562,674	
Retail as a% of total revenue	57.3%	56.1%	56.7%	50.5%	53.0%	41.5%	29.2%	31.1%	41.4%	57.1%	55.9%	37.7%	55.2%	37.2%		48.4%	

- The retail brokerage performance has an excellent year with total revenues rising by 52%. This was driven mostly by a 79% increase in commission & fee income while credit income advanced by 37.2%.
- Which was due to a couple of important factors (1) a noticeable flight to quality across all client types (2) the addition of new clients from some M&A type activity (3) enhanced liquidity facilitation product suite (4) emphasis on staff & customer training to improve the offered services.
- With the brokerage sector under restructuring and many brokers restricted from offering services such as margin lending there was a clear exodus of customers from smaller brokers to the larger and arguably more stable players. HSC with its solid balance sheet and broad product suite was able to leverage off this trend to boost overall customer numbers.
- HSC also increased its client base by taking over clients from some smaller brokers on an agreed basis. For example under an agreement signed by Cholon Securities (CLSC) and HSC on 10 June 2012, all clients of CLSC were able to transfer their brokerage accounts over to HSC to continue transactions as the former ceased to offer brokerage services. This involved about 1,000 accounts the majority of whom were quite active. Hence the addition of these accounts helped HSC to augment its market share further.
- As mentioned above HSC's margin lending balance increased during the year; especially in the 1-H although we did see some fluctuations later on. It appears that the company's approach to margin lending has proven to be quite popular being deemed to be both flexible and user friendly. Whilst also using modern specialist programming from an recognised international provider to monitor and thus minimize individual risk positions on a minute by minute basis.

- Lastly HSC undertook a dedicated training programme to improve the services offered by our staff to all customers. This involved the hiring of a specialist training manager and regular training on a rolling week by week basis throughout the branch network to improve the quality of service delivery to our clients. And has now been expanded to customers directly in order to enable them to make best use of our industry beating VI Trade, VIP Trade and VIS platforms.

Institutional Brokerage key numbers

Institutional Brokerage (VND million)	2010				2011				2012				FY2010	FY2011	y/y	FY2012	y/y
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
Total revenues	12,574	8,961	11,520	13,934	9,377	11,208	13,739	17,321	19,319	17,097	9,916	15,651	46,989	51,645	9.9%	61,984	20.0%
Brokerage	7,223	7,936	5,013	9,512	6,039	8,603	9,639	7,984	10,381	12,081	7,842	10,428	29,684	32,264	8.7%	40,732	26.2%
Credit income	3,961	694	1,300	3,734	2,853	681	867	6,806	6,321	2,721	991	2,174	9,689	11,207	15.7%	12,207	8.9%
Income from using capital	923	194	5,138	190	467	1,921	315	2,174	1,088	727	739	1,717	6,445	4,877	-24.3%	4,270	-12.4%
Investment Banking Advisory	-	-	-	488	-	4	2,917	5	1,423	1,040	5	938	488	2,926	500.1%	3,406	16.4%
Services	468	136	69	10	18	-	-	353	107	528	339	395	683	371	-45.7%	1,369	268.8%
Direct Expense	5,220	5,882	10,170	7,378	5,821	8,160	10,612	10,699	8,334	9,694	8,218	9,719	28,650	35,292	23.2%	35,965	1.9%
Indirect Expense	1,166	1,445	1,240	1,034	1,339	1,548	2,363	2,662	1,969	2,137	2,183	2,103	4,884	7,913	62.0%	8,392	6.1%
Total expense	6,385	7,326	11,411	8,412	7,160	9,708	12,975	13,361	10,303	11,831	10,401	11,822	33,534	43,205	28.8%	44,357	2.7%
Pretax profit	6,189	1,634	109	5,522	2,217	1,500	764	3,960	9,016	5,266	(485)	3,829	13,455	8,440	-37.3%	17,626	108.8%
Total revenues	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Brokerage	57.4%	88.6%	43.5%	68.3%	64.4%	76.8%	70.2%	46.1%	53.7%	70.7%	79.1%	66.6%	63.2%	62.5%		65.7%	
Credit income	31.5%	7.7%	11.3%	26.8%	30.4%	6.1%	6.3%	39.3%	32.7%	15.9%	10.0%	13.9%	20.6%	21.7%		19.7%	
Income from using capital	7.3%	2.2%	44.6%	1.4%	5.0%	17.1%	2.3%	12.6%	5.6%	4.3%	7.5%	11.0%	13.7%	9.4%		6.9%	
Investment Banking Advisory	0.0%	0.0%	0.0%	3.5%	0.0%	0.0%	21.2%	0.0%	7.4%	6.1%	0.1%	6.0%	1.0%	5.7%		5.5%	
Services	3.7%	1.5%	0.6%	0.1%	0.2%	0.0%	0.0%	2.0%	0.6%	3.1%	3.4%	2.5%	1.5%	0.7%		2.2%	
Direct Expense	41.5%	65.6%	88.3%	53.0%	62.1%	72.8%	77.2%	61.8%	43.1%	56.7%	82.9%	62.1%	61.0%	68.3%		58.0%	
Indirect Expense	9.3%	16.1%	10.8%	7.4%	14.3%	13.8%	17.2%	15.4%	10.2%	12.5%	22.0%	13.4%	10.4%	15.3%		13.5%	
Total expense	50.8%	81.8%	99.0%	60.4%	76.4%	86.6%	94.4%	77.1%	53.3%	69.2%	104.9%	75.5%	71.4%	83.7%		71.6%	
Pretax profit margin	49.2%	18.2%	1.0%	39.6%	23.6%	13.4%	5.6%	22.9%	46.7%	30.8%	-4.9%	24.5%	28.6%	16.3%		28.4%	
Total HSC revenue	106,328	141,228	110,840	112,523	96,507	105,339	142,086	136,661	158,605	171,847	114,297	117,925	470,919	480,593		562,674	
IS as a% of total revenue	11.8%	6.3%	10.4%	12.4%	9.7%	10.6%	9.7%	12.7%	12.2%	9.9%	8.7%	13.5%	10.0%	10.7%		11.0%	

- The institutional broking division also made substantial revenue gains last year. Total revenues grew 20% while within that, brokerage revenues increased by 26.2%. This was driven by a combination of market share gains and a slight increase in trading activity by foreigners.
- A number of large and mid-sized institutional accounts began trading through HSC or became much more active. In the institutional business there is often a lengthy gestation period between account opening and active trading. We saw a number of accounts which were opened over the previous 12-18 months, begin to deploy resources in the Vietnamese market.
- HSC hired two new institutional salespeople early last year which has greatly enhanced the team sales effort. This was necessary given the increase in the institutional client list and also plugged a gap enabling the team to provide a more comprehensive sales service to clients.

REVIEW OF OPERATIONS (continued)

- From the summer HSC officially went live on its FIX protocol order system which greatly streamlined the order receipt process. Since then the team has also added OMGEO system capability and is working to introduce SWIFT in the near future. These technology enhancements have greatly added to our order taking & processing capacity.

Investment Banking key numbers

Investment Banking (VND million)	2010				2011				2012				FY2010	FY2011	y/y	FY2012	y/y
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
Total Revenues	718	21,230	13,239	12,518	2,138	442	21,005	1,871	8,276	533	423	345	47,704	25,455	-46.6%	9,577	-62.4%
Investment Banking Advisory	718	1,160	546	1,550	2,046	442	20,959	1,871	8,276	533	423	345	3,974	25,317	537.1%	9,577	-62.2%
Income from using capital	-	20,069	12,693	10,969	-	-	-	-	-	-	-	-	43,731	-	-100.0%	-	-
OTC brokerage	-	-	-	-	92	-	-	-	-	-	-	-	-	92	-	-	-100.0%
Services	-	-	-	-	-	-	46	-	-	-	-	-	-	46	-	-	-100.0%
Direct Expense	1,577	1,697	2,275	4,979	2,070	2,665	4,813	2,572	2,616	2,211	1,897	1,810	10,528	12,120	15.1%	8,534	-29.6%
Indirect Expense	1,317	1,371	1,135	926	621	632	1,888	1,900	1,196	1,222	1,197	1,020	4,750	5,041	6.1%	4,636	-8.0%
Total expenses	2,894	3,067	3,411	5,905	2,691	3,298	6,701	4,472	3,812	3,433	3,095	2,830	15,278	17,161	12.3%	13,170	-23.3%
Pretax profit	(2,177)	18,162	9,828	6,613	(553)	(2,856)	14,304	(2,601)	4,465	(2,900)	(2,672)	(2,485)	32,426	8,294	-74.4%	(3,593)	-143.3%
Total Revenues	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Investment Banking Advisory	100.0%	5.5%	4.1%	12.4%	95.7%	100.0%	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%	8.3%	99.5%		100.0%	
Income from using capital	0.0%	94.5%	95.9%	87.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	91.7%	0.0%		0.0%	
OTC brokerage	0.0%	0.0%	0.0%	0.0%	4.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%		0.0%	
Services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%		0.0%	
Direct Expense	219.8%	8.0%	17.2%	39.8%	96.8%	603.5%	22.9%	137.4%	31.6%	414.9%	449.1%	524.6%	22.1%	47.6%		89.1%	
Indirect Expense	183.6%	6.5%	8.6%	7.4%	29.0%	143.2%	9.0%	101.6%	14.5%	229.3%	283.4%	295.6%	10.0%	19.8%		48.4%	
Total expenses	403.4%	14.4%	25.8%	47.2%	125.9%	746.7%	31.9%	239.0%	46.1%	644.2%	732.5%	820.3%	32.0%	67.4%		137.5%	
Pretax profit margins	-303.4%	85.6%	74.2%	52.8%	-25.9%	-646.7%	68.1%	-139.0%	53.9%	-544.2%	-632.5%	-720.3%	68.0%	32.6%		-37.5%	
Total HSC revenue	106,328	141,228	110,840	112,523	96,507	105,339	142,086	136,661	158,605	171,847	114,297	117,925	470,919	480,593		562,674	
IB as a % of total revenue	0.7%	15.0%	11.9%	11.1%	2.2%	0.4%	14.8%	1.4%	5.2%	0.3%	0.4%	0.3%	10.1%	5.3%		1.7%	

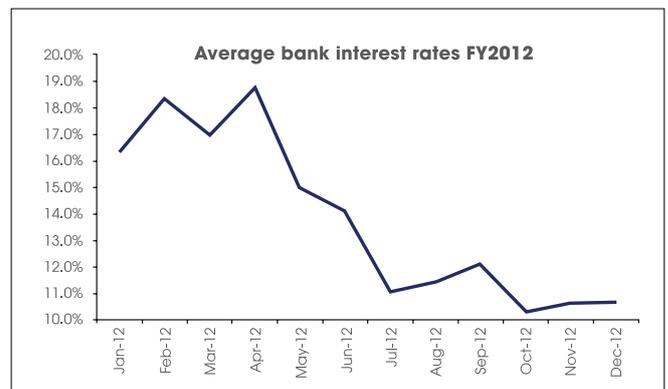
- The investment banking division in contrast had a more challenging year last year. Top line revenues fell 62.4% y/y on what was admittedly a very tough y/y comparison following the breakout year in FY2011.
- This had been due mainly to a large fee revenue stream from the execution of the sizeable Megastar deal (which accounted for about 90% of IB revenues in that year) while last year's revenue base came from a series of much smaller deals. The business environment was difficult with very few large deals being executed by anyone in the industry.
- And while we saw plenty of interest from buyers and some interesting targets came into play, pricing remained a key issue. In a number of cases we saw that the price gap between both sides was very wide. Hence this made execution of the HSC's deal pipeline all the trickier last year.
- Even so it was a year of progress in some respects as the potential deal pipeline expanded significantly and while only a handful of these deals were actually completed and booked last year the signs for FY2013 look very promising.

Treasury shifts gradually to higher yielding assets classes to protect yields

HSC interest bearing assets and yield table

(Unit: VND Million)	FY2011	FY2012	as % of total average earning assets		y/y change
			FY2011	FY2012	FY2012
1 Average advances to investors	8,367	16,111	0.5%	0.7%	92.5%
2 Average receivables from margin contracts	563,128	835,523	33.7%	36.3%	48.4%
3 Average receivables from repo agreement	197,357	239,441	11.8%	10.4%	21.3%
I Total value (1+2+3)	768,853	1,091,075	46.0%	47.5%	41.9%
4 Average deposit at banks	881,754	1,156,118	52.8%	50.3%	31.1%
5 Average bond investments	20,597	52,121	1.2%	2.3%	153.1%
II Total value (4+5)	902,351	1,208,239	54.0%	52.5%	33.9%
III Total average interest earning assets (I + II)	1,671,204	2,299,314	100%	100%	37.6%
IV Total interest incomes	333,425	375,325			12.6%
V Average yield	20.0%	16.3%			

- HSC’s treasury division was mindful throughout FY2012 of the steady fall in deposit interest rates with its inevitable effect on deposit income. At the same time prudent risk management and sharp increase in government bond issuance and the fluctuating environment for equities made a shift to higher risk assets tricky for much of the year.
- Therefore this shift was executed on a gradual basis with the move into government bonds mostly taking place in Q4 FY2012. This has enabled HSC to pursue yield enhancement through repos.
- To summarise the year, although interest earning assets expanded by 37.6% on average, total interest incomes just grew 12.6% y/y on lower yields. Average weighted yields on interest earning assets fell 370 bps to 16.3%.
- This was mostly due to the drop in deposit interest income as deposit rates dropped from 570 bps during the year. And indeed compared to last year’s average deposit rates, this fell more steeply by 655 bps compared to FY2011.
- On the other hand, there were some factors that offset this. HSC still enjoyed high yields on existing repo agreements as those rates were fixed at November FY2011 when interest rates were still high. The sums involved were quite reasonable.
- Then in Q4/2012, HSC expanded on this strategy even further by moving more resources into bond purchases and repo activities and away from simple term deposits. However as this occurred quite late in the year much of the benefit from this yield enhancement exercise will be felt in FY2013 instead.
- For margin lending activities, HSC loan yields were kept at 20.7% in FY2012; a drop of 200 bps on FY2011 while the actual average balance increased as mentioned above. Hence although average deposit rates dropped very sharply the company was able to partly mitigate the effects by a gradual shift to higher risk and higher yielding fixed income assets.



Investment portfolio changes reflects increase in bond exposure

HSC's investment portfolio

Investment portfolio (VND Million)	End of FY2011	End of FY2012	Market value	y/y change
	Book value	Book value		
1 Cash balance	285	261	261	-8.3%
2 Term deposits	673,702	1,793,942	1,793,942	166.3%
3 Total listed shares	114,950	175,020	192,898	52.3%
Listed shares	125,784	184,462	192,898	46.7%
Provisions	(10,834)	(9,442)		-12.8%
4 Total unlisted share	84,313	80,371	80,371	-4.7%
Unlisted shares	126,141	121,932	80,371	-3.3%
Provisions	(41,827)	(41,561)		-0.6%
5 Total bonds	20,597	372,226	389,586	1707.2%
Bonds	20,597	372,226	389,586	1707.2%
Provisions				
6 Repo agreements	921,800	89,700	89,700	-90.3%
Total	1,815,647	2,511,520	2,546,758	38.3%
As % of the total				
1 Cash balance	0.0%	0.0%	0.0%	
2 Term deposits	37.11%	71.43%	70.4%	
3 Total listed shares	6.3%	7.0%	7.6%	
Listed shares	6.9%	7.3%	7.6%	
Provisions	-0.6%	-0.4%		
4 Total unlisted share	4.6%	3.2%	3.2%	
Unlisted shares	6.9%	4.9%	3.2%	
Provisions	-2.3%	-1.7%		
5 Total bonds	1.1%	14.8%	15.3%	
Bonds	1.1%	14.8%	15.3%	
Provisions	0.0%	0.0%	0.0%	
6 Repo agreements	50.8%	3.6%	3.5%	
Total	100%	100%	100%	

- Looking at the composition of HSC's investment portfolio as at the end of FY2012 we see a fairly sharp expansion in the overall portfolio. In FY2012 our funding increased by a total of VND 572 billion (VND 377 billion from payables, VND 163 billion from reverse repos, VND 134 billion from equity (which was mostly from the increase in retained earnings) while long term debts decrease by VND 102 billion).
- Those funds were then mostly allocated to term deposits or bonds which explains the VND 696 billion increase in the investment portfolio. We note also that some receivables and fixed assets were actually reduced, which accounts for the difference between the investment portfolio and asset side of the balance sheet.
- And while the amount of term deposits rose sharply we also saw a sharp increase in bond investment admittedly from a low base. Most of which took place in the 2-H of FY2012. As explained elsewhere this was for yield enhancement purposes.

- Listed & unlisted share exposure increased by 28.2 y/y but its share of the total declined due to the relative decline in unlisted securities. This occurred even as the listed share exposure increased 52% in absolute terms and was mainly the result of a slight decline in the unlisted exposure in absolute terms.
- These are mostly legacy positions and the policy for some time has been to gradually reduce them. Simply put, the overall balance sheet grew even faster than the equity exposure - even as provision levels declined.

Peer comparison shows a strong balance sheet; excellent cost control and superior ROAE

Peer comparison at end FY2012

VND Millions			FY2012										
As of 31 Dec, 2012	Revenues	Net profit	Price (VND)	EPS (VND)	P/E	P/B	BVPS (VND)	ROAA	ROAE	GPM	Net profit margin	CIR	Prudential ratio*
SHS	365,884	30,791	7,200	308	23.38	0.93	7,741	2.3%	4.1%	43.6%	8.4%	91.6%	214.0%
WSS	33,134	(1,429)	4,400	(28)	(154.88)	0.43	10,148	-0.3%	-0.3%	35.5%	-4.3%	102.6%	257.0%
KLS	241,635	21,574	9,300	107	87.29	0.74	12,490	0.8%	0.9%	17.0%	8.9%	90.9%	820.5%
VDS	101,682	(27,637)	4,200	(790)	(5.32)	0.62	6,738	-3.7%	-11.1%	17.0%	-27.2%	128.0%	225.0%
AGR	877,021	61,691	5,600	292	19.17	0.52	10,688	1.0%	2.7%	12.3%	7.0%	91.9%	197.0%
SSI	849,294	464,399	18,000	1,328	13.55	1.21	14,850	6.4%	9.0%	46.5%	54.7%	55.7%	303.0%
BVS	208,822	77,701	12,700	1,076	11.81	0.81	15,588	5.2%	7.1%	58.9%	37.2%	62.8%	385.0%
SBS	223,705	223,705	1,300	1,766	0.74	(0.66)	(1,982)	8.9%		100.0%	100.0%	0.0%	0.6%
CTS	175,698	72,740	7,600	931	8.16	0.66	11,460	5.6%	8.3%	73.7%	41.4%	45.4%	464.0%
KEVS	164,229	17,700					11,394	3.2%	5.3%	44.3%	10.8%	85.8%	421.0%
FPTS	237,086	126,458					24,829	8.7%	11.5%	84.4%	53.3%	32.1%	853.0%
Total	3,112,306	1,036,904											
Average	316,199	97,063	7,811	554	0.43	0.59	11,268	3.5%	3.7%	48.5%	26.4%	75.5%	376.4%
HCM	560,252	246,381	22,000	2,474	8.89	1.02	21,503	8.5%	11.8%	70.5%	43.8%	45.3%	746.0%

* VDS, AGR securities; SSI; BVS and SBS are as at June 2012

- Compared to peers we can see that HSC enjoys one of the highest gross profit margins and naturally as a result one of the lowest cost income ratios in the industry. A quick look through the numbers will show that operating expenses have been well controlled for several years.
- And HSC's prudential ratio is the third highest after KLS & FPTS and several times higher than the safety threshold. HSC also enjoys the highest ROAE.
- And with a single digit PE plus a PB of 1 on what is a balance sheet that consists mainly of terms deposits and bonds we can say the stock is very reasonably priced by any measure.

REVIEW OF OPERATIONS (continued)

- In summary, HSC appears to have a very stable balance sheet; growing market share & revenues in its brokerage business whilst building an increasingly sophisticated presence in the fixed income & repo markets. The company is also investing to increase its capabilities in investment banking with a view to expanding its offered product suite to corporates. And it has also made a major investment in building a dedicated risk management unit to better monitor the various risks inherent in the business

Key number (VND Million)	2008	2009	2010	2011	2012
Total assets	1,479,210	2,089,537	2,524,979	2,628,208	3,198,935
Owners' equity	1,316,046	1,538,496	1,589,171	2,028,968	2,162,514
Gross revenue	285,597	491,278	470,848	480,491	562,372
Pre-tax profit	23,543	336,313	227,901	236,889	306,844
Net profit for the year	23,543	278,119	182,312	194,420	246,381

Key ratio	2008	2009	2010	2011	2012
Operation Ratios					
Quick ratio	2.60	3.68	2.50	6.07	2.79
Current assets turnover	0.34	0.41	0.22	0.20	0.23
Total assets turnover	0.68	1.40	0.64	0.73	0.86
<i>Leverage Ratios</i>					
Total Debt/Total Equity	0.12	0.35	0.59	0.30	0.48
Total Debt/Total Assets	0.11	0.26	0.37	0.23	0.32
<i>Profitability Ratios</i>					
Gross profit margin	29.5%	73.3%	63.8%	67.4%	70.5%
Net profit margin	8.2%	56.6%	38.7%	40.5%	43.8%
- ROAA	1.7%	15.6%	7.9%	7.5%	8.5%
- ROAE	2.4%	19.5%	11.7%	10.7%	11.8%



Investing in the Future

Contents

1. Highlights
2. Sustainable Initiatives and Strategy, Stakeholder Engagement
3. Sustainability Performance
 - 3.1 Corporate Governance Impact
 - International Management Standards
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 - Information Transparency
 - 3.2 Workforce Impact
 - Talent Retention
 - Strengthening leadership and succession planning
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Who we are & What we do

HSC is a leading professional securities firm with the largest market share in Vietnam. Across six transaction offices and branches nationwide, HSC delivers a comprehensive list of professional securities brokerage and investment advisory services to over 33,000 customers both domestically and internationally. For Corporate Finance advisory, HSC has successfully established connections between businesses and investors, bringing development opportunities and increasing interests for all parties.

Listed on Ho Chi Minh City Stock Exchange (HOSE) on May 2009 under the ticker HCM, at present, HSC's total equity is held by 2,500 shareholders, including private and institutional investors both in Vietnam and overseas.

Alongside HSC's achievements over the past 10 years, we also launch a sustainable growth initiative and life impact strategy.

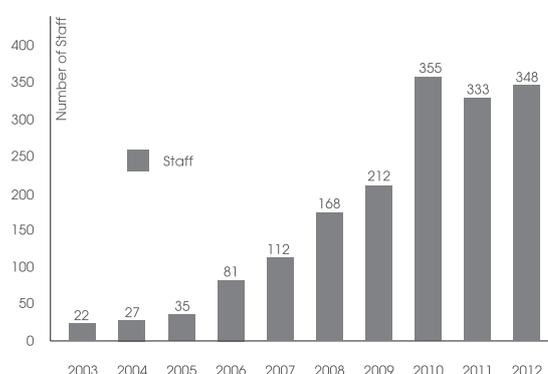
1. Highlights

Over the **10-year** period (2003-2012), HSC has consistently improved its competencies along with developing financial services which concentrates on building relationships and developing value-added products. We aim to further expand the business given the increasing demands of customers. Being the leading brokerage and securities firm in Vietnam and having made significant achievements (*ref. 10 years financial highlights, page 12, 13*), HSC is one of the strongest organizations within the financial industry, across the country.

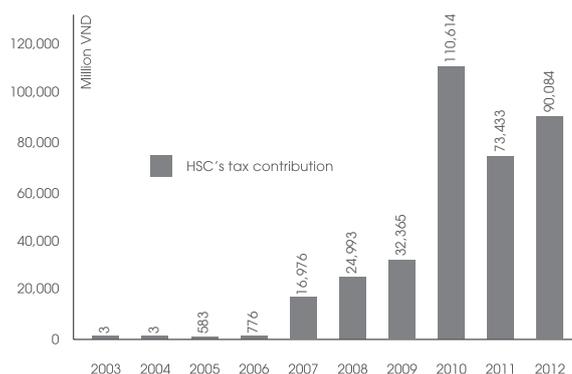
Over 10 years, we have consistently increased our tax contribution to the government's budget, from VND 3 million in 2003 up to VND 83 billion in 2012, and are the 194th out of 1,000 companies with the highest tax contribution. In addition, HSC has also created and maintained jobs for a large number of employees in Ho Chi Minh City and Hanoi, a figure that has increased 15 times over 10 years.



Employee statistics 2003 - 2012



Tax Contribution to Government's budget 2003 - 2012



LIFE IMPACT INITIATIVES (continued)

The last 3-year period (2010 to 2012) has been a difficult time for the world as well as for Vietnam's economy, particularly in the financial industry. Despite this chaotic situation, HSC has continued to stimulate sustainable development across the country and throughout various areas indicated in the figures below:

Business Achievements

No.1
Market Share
in both HOSE and HNX.

274 VND
billion
of tax contribution
to the Government's budget.

50
awards



given and global prestigious organizations such as Ho Chi Minh City Stock Exchange, Ministry of Finance, and international magazines e.g. Asiamoney, The Asset, FinanceAsia, Institutional Investor, Thomson Reuters

Community Investment

600

poor children in rural areas, and HSC employees' children took part in the "Happy Mid-Autumn Festival" program annually held by HSC



1,000

number of times HSC staff participated in philanthropic activities, community support and Earth protection programs: Walk for Victims of Agent Orange, the Poor or the Disabled; Saigon Cyclo Challenge; Cycling, collecting signatures for Earth Hour.

300 VND
million
of donations

to help vulnerable people: victims of a storm in central Vietnam; patients at Leprosy center Binh Minh in Dong Nai; the elderly and children in hospitals, temples, or charitable houses in Ho Chi Minh City and surrounding areas such as Binh Duong and Tay Ninh, Ben Tre, Can Gio, Lam Dong, Cu Chi.

Future Generation Investment & Development

20,000
students

attracted and 3,000 students from 10 reputable universities in Ho Chi Minh City directly opened trading accounts in the "Virtual Stock Exchange FESE 8th" competition held by the University of Law and Economics. HSC, as a gold sponsor, donated VND 100 million for the program and has cooperated with FESE over 8 competitions.

90
students

from reputable universities all over the world who participated in the "Sponsors for Educational Opportunities - Interns in Vietnam" program have visited and attended seminars at HSC where some of them have been offered internships.

15,000
students

participated in the 4th "Discovering the future CEO" competition organized by Ho Chi Minh City University of Economics in 2012. Having partnered and sponsored for the program, HSC also gave four scholarships to the high-performing students. This was a great opportunity for students to take challenge and improve their skills on way to become an excellent CEO.

Talent Development

243 classes

have been held and coordinated by HSC for training staff.

1,037

is the number of times HSC's staff have been attended professional training programs.



Well-being & Health Care



22 VND billion
has been invested

in the annual health check, health care and accident insurance for employees and families, social insurance and health insurance for staff at HSC.

1,600

times HSC staff attended the annual health check at the most reputable hospitals where the top quality and services, health care and accident insurance programs are available for employees and their families.

2. Sustainable Initiatives and Strategy, Stakeholder engagement

Following HSC's development strategy in the 5 years from 2011, HSC will be expanding its scale out of Vietnam and hoping to associate with global strategic partners in the investment banking field. In order to sustain its growth, HSC has clearly defined some objectives which are as follows:

- To continue building up and strengthening a corporate governance structure in accordance with international standards in which risk management is the primary concern to allow us to function efficiently. Also, we commit to conform to the law and adhere to information transparency. This is a foundation for the development of a professional entity, aiming to enhance trust with customers, partners and community.

- To focus on developing people, investing in education and working environment, and supporting a new generation of leaders at HSC as well as in the financial field.
- To contribute positively to develop Vietnam's financial market, to build good relationships with our partners, customers, and shareholders.
- To share responsibility for the prosperity of communities, environment protection, and the betterment of the society in order to bring more happiness to less fortunate people across the country.

HSC is proud to be an institution that provides financial services to customers and partners domestically and worldwide under the legal framework and management of the government and authorities. Therefore, we view the tight correlation between our Life Impact Initiatives and our stakeholders as an integral part of our business.

Develop leadership competencies, succession planning

Ms. Truong Thu My - An analyst from Institutional Clients Division, who won the “#3 Best Analyst in Vietnam” twice at Asiamoney Brokers Poll 2011, 2012, said: *The high demand of qualification, work pressure as well as the need of timely provision on HSC information to our clients have trained and pushed me to be more efficient and developed. Besides, working with top professional analysts in Vietnam, active and qualified brokers has given me a good opportunity to acquire more knowledge and experience. Thanks to the support from my colleagues at HSC, I have achieved these accomplishments.*

Provide the best services on clients' demands. Develop partnership, increase benefits for both parties

Megastar Media Company (MSM): *We are impressed with the quality of HSC services, driven by its strong competencies and expertise, and it has been a great pleasure working with HSC.*

Abide regulations and guidance. Contribute positively to the market development.

Minister of the MOF presented certificate of merit: *“HSC is recognized for constructing and developing Vietnam stock market during 2006 - 2010”*



Explicit information, maximize profit for shareholders while securing their equity

Mr. Tyson Heyn - Principal of LACP claimed at the Annual Report Vision Awards 2011: *We received more than 5,000 entries for this year's showdown, which made the field of competition especially tough. In fact, less than one out of every five entries received award-level recognition. Nonetheless, your report demonstrated exceptional characteristics which set it apart as one to be truly celebrated.*

Invest in Community

Cat Tien's Youth Union: *Great thanks to HSC for the charity trip “Trung thu yeu thuong” to Cat Tien. We hope to welcome HSC company again to visit other harsh areas of Cat Tien.*

Invest in generating future leaders

Organizing committee of “Virtual Stock Exchange FESE 8, 2011”, University of Economics & Law: *I would like to express my great gratitude towards HSC for its support in the past years and Diamond sponsorship for the contest which definitely contributed to the success of the program.*

3. Sustainability Performance

3.1 Corporate Governance Impact

- **International Management Standards**

HSC aims to become the most reliable institution, leveraging our position and facilitating the sustainable growth of Vietnamese capital markets. We want to integrate international standards into our corporate governance.

HSC is proud to have a Management Team which consists of eight Managing Directors, five of them are foreign nationals with experience in senior management levels from leading groups, financial institutions for many years. Therefore, we believe that our governance structure is one of the strongest in the industry in terms of expertise, experience and qualification (*ref. introduction of the Management Team, page 32, 33*).

Our Board of Directors, headed by an independent and non-executive Chairman, has seven members, in which two of them are independent and five are non-executive members. This structure ensures the Board of Directors to delegate, supervise and facilitate operations of the Management Team in a subjective, independent and effective manner (*ref. introduction of the Board of Directors, page 30, 31*).

- **Enterprise Risk Management and Information Security-ISO 27001 Project**

Despite the tough business environment, HSC has continued to thrive resulting in its leading position in the market. To preserve HSC's top position in the Vietnamese market, HSC senior management has prioritized non-financial aspects of the businesses. As a result, HSC's Board of Directors and the Management Team opted to expand the HSC risk management strategy. Six types of basic risks were clearly defined: operational risk, credit risk, payment risk, liquidity risk, market risk, and compliance risk.

In the 3rd Quarter of 2012, HSC launched its Enterprise Risk Management (ERM Project). The ERM Project aimed to further standardize its corporate and risk management structure as well as review its existing policies, procedures and business processes.

The Key Initiatives of ERM Project are:

- Assess the current state of Risk Management in HSC and design the desired ERM framework and maturity level;
- Identify, assess, mitigate and control & monitor key risks of HSC; and
- Roll out and implement ERM Framework;
- Post implementation reviews.

The above-mentioned initiatives are designed to conform to international standards, to adopt prevailing best practices and to comply with the latest regulatory requirements.

HSC engaged PricewaterhouseCoopers Vietnam (PwC) as our advisors who is a leading service provider with world-renowned experience in Risk Management's implementation.

At the present, we have implemented the first and second phases of the ERM Project. PwC helped us to identify the list of risks that might have potential impacts on HSC's operation. These include those business-related risks that are to be prioritized in the next six months and other risks to be focused on in the coming year.

The goal is that by the end of 2014, our risk managerial foundation will include: risk framework, risk parameters, updated policies and procedures, fully built business processes, monitoring mechanism and a system of effective control and reporting.

In bringing the risk management system in line with global best practice, the ERM Project will allow HSC to reach its maximum potential whilst bolstering investor and shareholder confidence.

During the last quarter of 2012, we saw the ERM Project yielded positive results. First, we succeeded in increasing the awareness of risk management across all business lines, which only a few departments had achieved in previous years. Moreover, we complied with the latest regulations mandated by the regulators.

Alongside this, HSC remodeled its governance structure and upgraded its risk management talent by recruiting a new Head of Internal Audit/ Compliance and Legal department.

LIFE IMPACT INITIATIVES (continued)

In addition to strengthening its operational framework, HSC's ERM Project supported and complied with recent government's regulations on Guidance on the Establishment and Operation of a Securities Company in Vietnam as per, Circular No. 210/2012/TT-BTC, dated 30 November, 2012, as well as, Decision 105/QĐ-UBCK, dated 26 February, 2013 (Regulations on Setting Up and Implementing Enterprise Risk Management for Securities Companies). We considered this as proof of our commitment to transparency and compliance with the government's regulations.

Moving forward...

ERM Project (Phase III) - Business Process Improvement

In 2013, HSC is committed to continuing the ERM Project (Phase III) that we hope will further improve business processes and work flows across all business functions. The ERM project will also be a useful tool to help us serve clients more effectively and professionally.

ISO 27001 Accreditation

In addition, as part of the internal improvement campaign, HSC is part way through completing the ISO 27001 Accreditation, and we expect to be awarded by the prestigious Certificate in Information Technology (IT) for Information Security Management.

Some of the key functions of ISO 27001 are:

- To act as the extension of the current quality system, including security;
- To provide an opportunity to identify and manage risks to key information and systems assets;
- To provide confidence and assurance to trading partners and clients; act as a marketing tool; and
- To allow an independent review and assurance to clients on information security practices

This demonstrated HSC's serious commitment to providing customers with an improved IT security management system which we hope will cater efficiently to their online trading requirements. Furthermore, HSC endeavors to foster an effective risk management culture throughout all business lines and at every level of management. It is our goal that

every employee will have risk management training and responsibilities. HSC dedicated to adopt risk management's best practices to prepare for strict standards and market expectations as we expect to face a growing centralization of risk management and the continuing expansion and alignment of global markets.

- Information Transparency

Information transparency is a code of conduct at HSC. To preserve HSC's reputation in the financial market, we have developed a system of processes and procedures which ensures that information is provided punctually, accurately and on a regular basis through HSC's website, information disclosure, investor relations, and media relations. As a matter of fact, HSC not only performed well in information disclosure with adherence to the regulations but also took the initiative to build and develop its investor relations.

Given a volatile economy, in particular a turbulent stock market, investors' sentiment was affected by all kinds of ill founded rumors. As a leading listed securities and brokerage firm, HSC actively provided market watch, attended interviews and answered questions of investors to help them get the transparent, accurate and timely information about HSC's activities and thereby make the right investment decisions. We have seen this as a value to form long-term cohesion between investors and HSC.

In addition, HSC has held quarterly analyst conferences. With the participation of analysts from funds and media agencies we proactively updated, analyzed, and discussed business results as well as the orientation for HSC's development in specific market conditions. We also established the channels providing information directly to our shareholders via a regularly updated database system that enabled us to quickly respond and feedback information requests from the authorities. Being the leading securities company in Vietnam, HSC had the opportunity to regularly work and interact with domestic and international investment funds, provide in-depth analysis reports, and organize company visits, aiming to satisfy the information demand of investors.

In order to constantly improve and reinforce our investor relations, HSC is implementing plans to construct a new website with a clear and friendly interface, develop web contents, enhance the quality of information and accessibility. This helps our shareholders and investors to approach information easily, accurately and consistently.

3.2 Workforce Impact

HSC complies with all regulations of the Human Rights Law, Labor Law, and gender equality, since we define 'human' as a key factor for our sustainable development. Therefore, HSC has set out training programs for developing knowledge and expertise, skills and professionalism of our staff. At the same time, we also invest in health care, and enrich our staff's lives to motivate them to develop their full potential, encourage personal development and dedication to the company.

- Talent Retention

HSC has been foremost to apply the HSC Employee Stock Ownership Plan (ESOP) program. It aims to attract and retain talent based on their ability and development potential, encourage our staff's dedication to HSC which make the company become the strongest institution.

In 2012, HSC issued 1 million bonus shares with a total worth of VND 10 billion at market value, for

the 2011 ESOP program. Since 2007, HSC has now implemented our third ESOP program, which has been an effective tool in retaining talent, rewarding good performance and enhancing employee engagement.

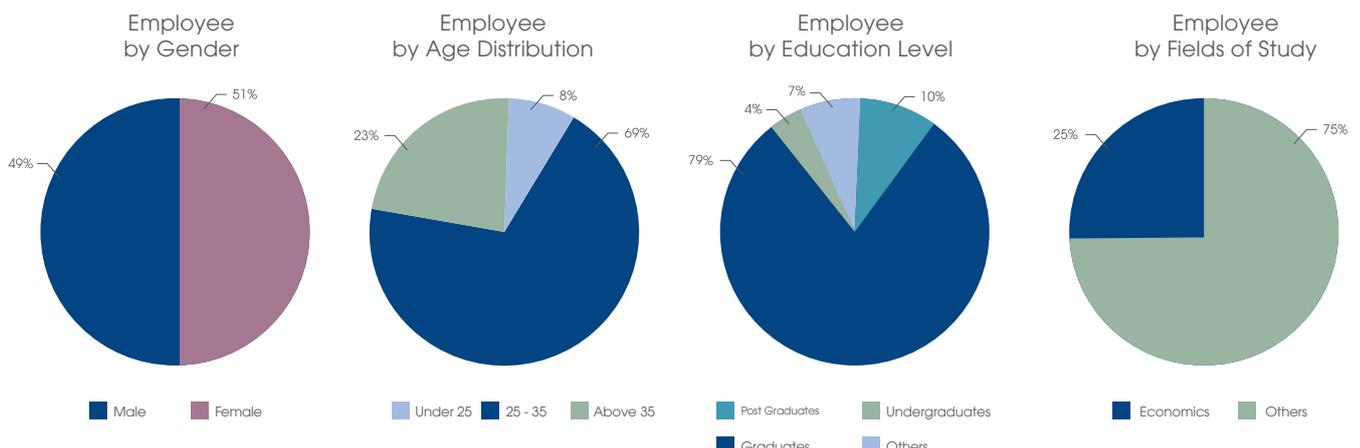
- Strengthening leadership and succession planning

In addition to regular training courses for certificates in securities, management, leadership and customer service, since 2010, we have planned and been implementing our leadership development and succession planning program. In doing so, we are creating an environment that encourages employees to lead themselves, to further lead people and lead our business.

In 2012, the HSC Leadership program was deployed to all HSC's staff across the country. We held the "Retail Leader" competition for our staff in Private Clients Brokerage Division. The program attracted the enthusiastic participation of more than 200 staff. During the program, each staff was challenged to specify their behaviors and integrate leadership competencies into their personal and team practices in line with HSC's general objectives. In 2013, the program will continue for all departments and functions in the company, with the aim of embedding our leadership culture into HSC's core values.

Employee Statistics

YEAR	2008	2009	2010	2011	2012
Permanent Employee	168	212	355	333	348



LIFE IMPACT INITIATIVES (continued)

- **Well-being and Health Care**

HSC organized cultural and sports activities as well as team-building events in order to engender a work-life balance, strengthen cohesion among departments and empower individuals to enrich their well-being as well as perform their personal talents. In 2012, a series of art and sport events took place with the participation of the majority of HSC staffs, which were: HSC's Talents Competition - Top of The Night, Beauty 3600 - Art contest, HSC's tennis tournament, Hi-Art club, English club, book library and so on. These events enabled HSC to increase staff commitment and reinvigorate their dedication to HSC.

3.3 Industry and Business Impact

HSC has organized and participated in several workshops on the latest knowledge and news about the securities market, and provided necessary information for investors such as "Building Trust - Seizing Opportunity" workshop. We also attended the "Stock market development tasks in 2013" conference held by the State Securities Commission, "East Asia Financial Stability" conference hosted by the National Financial Supervisory Commission in collaboration with Ministry of Finance, The State Bank of Vietnam, Ministry of Foreign Affairs and Government Office.

In the equity market, HSC is a member of the VN30 council which was established by the Ho Chi Minh City Stock Exchange and contributed to the creation of the VNIndex 30. It was formed to provide investors with a more accurate market watch and analysis.

In the bond market, HSC is the co-founder and active member of Vietnam Bond Market Association (VBMA) in which our representative was included in the permanent council. This is the first professional association in Vietnam bond market, which actively supports the Ministry of Finance and the State Securities Commission in establishing the syndicate of primary bond trading and building infrastructure for the market makers.

We also have our representatives as the Vice President of the Vietnam Association of Securities Business, and Vice President of the CEO Club. As the No. 1 securities and brokerage firm in Vietnam with

the extensive knowledge and experience gained from global leaders, HSC regularly contributes its capacities to the State Securities Commission, Exchanges and Vietnam Securities Depository and participates in many projects such as launching new products into the financial market including margin trading and derivatives.

3.4 Community Investment

Besides our achievements in business, HSC's values are illustrated in our efforts of supporting the future leaders generation, our awareness of responsibility to the environment and climate, our spirit of philanthropy, and through supporting the vulnerable people. Through social activities, voluntary work and environmental protection, we target to continue fostering the coordination among the educational organizations, non-profit and non-governmental organizations, in order to bring the most values to the community. We believe that supporting our society also means to support each member in HSC as well as enhance social responsibility within Vietnam businesses. This is a crucial part of our Life Impact Initiatives to the community we serve.

- **Investing for future development**

We believe that investing in the youth of today means generating brilliant achievements in the future. Therefore, HSC will continue to facilitate, encourage, and guide as well as offer internship opportunities to students from different universities,



organizations and countries. These activities will help students gain knowledge to integrate real life and also adapt to the actual ever-changing business environment. HSC is proud of contributing to the development the Vietnamese youth. Some practical programs we have initiated are as follows:

- o HSC has cooperated with the University of Economics & Law and been a main sponsor for "Virtual stock exchange FESE" program over the last 8 years. (<http://fese.uel.edu.vn/index.php/tong-quan-fese09/>). Up to the present, some graduates from this program have been working for HSC. They have excellently performed and played an important role in the development of the company.
- o This is the third year in a row HSC has sponsored, and received interns from summer internship program of SEO organization- IIV (<http://www.seo-vietnam.org/seo/public/>). SEO is an international non-profit organization that works to build up an efficient network and empower the talented and potential young students from reputable universities all over the world.
- o We attended career day programs at some universities such as Career Expo 2012 held by RMIT University. The engagement of HSC in introducing jobs opportunities brought a lot of practical precious experience to students in this program.

- **Giving opportunities**

"Those who help achieve happiness the most" – This is our motto in community support, particularly in what we brought to Quang Ngai elementary school, Cat Tien district – the poorest area of Lam Dong Province in the "Warm Moonfest" charity trip held by HSC on 29-30/09/2012. HSC was the first entity to visit and organize the Full moon festival for less fortunate children in this highland area. We were delighted to bring to those children the warmest and happiest moon festival. Our volunteers also experienced the poverty of the children as well as the difficult lives of the citizens. This trip has been one of our significant endeavors, aimed to impact life, contribute to improve the difficult circumstances of those less fortunate living in the rural and remote areas around Vietnam.

- **Environmental responsibility**

The CEO of HSC and nearly 300 HSC's staff took part in the "Earth Hour" program in 2012, and affirmed our commitment to protect the green planet by giving signatures and participating in the "Cycling for the environment". This has been the 3rd consecutive year that HSC took part in this global program in terms of environmental protection "Earth Hour" <http://www.earthhour.org.vn/>.



4. About this Report

This is the first time in 10 years since HSC has been established that we produced a sustainability report embedded in the annual report in order to deliver our sustainable performance clearly and transparently to the government, authorities, investors, shareholders, customers, partners, employees, social organizations, charity organizations, non-profit organizations, non-government organizations domestically and internationally. The report concentrates on our key elements of the sustainable growth during the last 10 years such as: corporate governance, people training and development, industry and market contribution, community development, social, charity activities and environmental protection. This report is a summary of all the above activities of HSC, focusing on three years' activities (from 2010 to 2012) under the scope of Vietnam and has been posted on the company's website: www.hsc.com.vn

This is also the first year that HSC officially commits to pay more attention to meaningful activities for social development. Thus, we would ask for your support and participation in creating this culture, going forward for a sustainable future of HSC. The Sustainability report was proactively made by HSC ourselves thanks to the encouragement of HCM City Stock Exchange and was based on the guidelines on sustainability report from the State

Securities Commission, IFC http://www.ssc.gov.vn/portal/page/portal/ubck/1096905?pers_id=1278414&folder_id=&item_id=32616813&p_details=1 was guided from ACCA, from ACCA <http://www.accaglobal.com/en/technical-activities/sustainability.html>, and the Standard Structure GRI <https://www.globalreporting.org/Pages/default.aspx>

Mr. Johan Nyvene, a Member of Board of Director cum CEO of HSC, is directly responsible for HSC's strategic direction, and delegates tasks for HSC's sustainability to ensure the expansion and values of those activities to HSC and stakeholders.

We are grateful to welcome your valued concerns and attention as well as feedback. For detailed information or related issues, please contact our spokesperson via:

Pham Thi Phuong Lan (Ms)

Head of Communications

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C: 090 375 0767
E: lan.ptp@hsc.com.vn



2012 Financial Statements

GENERAL INFORMATION

THE COMPANY

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

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

The Company's head office is located at Floor 5 and 6, AB Tower, 76 Le Lai Street, District 1, Ho Chi Minh City, and its branches and transaction offices are located in Ho Chi Minh City and Hanoi.

BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Mr. Do Hung Viet	Chairman	Appointed on 8 April 2011
Mr. Le Anh Minh	Vice Chairman	Reappointed on 8 April 2011
Mr. Nguyen Thanh Liem	Vice Chairman	Appointed on 8 April 2011
Mr. Pham Nghiem Xuan Bac	Member	Reappointed on 8 April 2011
Mr. Hoang Dinh Thang	Member	Reappointed on 8 April 2011
Mr. Johan Nyvene	Member	Reappointed on 8 April 2011
Mr. Trinh Hoai Giang	Member	Appointed on 8 April 2011

BOARD OF SUPERVISION

Members of the Board of Supervision during the year and at the date of this report are:

Mr. Vo Van Chau	Supervisory Chief	Reappointed on 8 April 2011
Mr. Doan Van Hinh	Member	Reappointed on 8 April 2011
Ms. Nguyen Thi Thanh Van	Member	Resigned on 2 July 2012

MANAGEMENT

Members of the Management during the year and at the date of this report are:

Mr. Johan Nyvene	Chief Executive Officer	Appointed on 15 May 2007
Mr. Trinh Hoai Giang	Deputy Chief Executive Officer	Appointed on 15 May 2007
Mr. Le Cong Thien	Alternate Deputy Chief Executive Officer	Appointed on 4 April 2012
Mr. Johan Kruimer	Managing Director	Appointed on 26 July 2007
Mr. Fiachra Mac Cana	Managing Director	Appointed on 1 March 2008
Mr. Bach Quoc Vinh	Managing Director	Appointed on 1 February 2010
Mr. Trinh Thanh Can	Managing Director	Appointed on 12 July 2011
Mr. Edward Alexander Gordon	Managing Director	Appointed on 29 October 2012
Mr. Arnold V. Pangilinan	Managing Director	Appointed on 12 November 2012

LEGAL REPRESENTATIVE

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

AUDITORS

The auditors of the Company are Ernst & Young Vietnam Limited.

Management of Ho Chi Minh City Securities Corporation (“the Company”) is pleased to present its report and the financial statements of the Company as at and for the year ended 31 December 2012.

MANAGEMENT’S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the financial statements of each financial year which give a true and fair view of the state of affairs of the Company and of the Company’s results and cash flows for the year. In preparing those financial statements, management is required to:

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

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

Management confirmed that it has complied with the above requirements in preparing the accompanying financial statements for the year ended 31 December 2012.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2012 and of the results of its operations and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and accounting policies applicable to securities companies as set out in Circular No. 95/2008/TT-BTC dated 24 October 2008 and Circular No. 162/2010/TT-BTC dated 20 October 2010 issued by the Ministry of Finance and comply with relevant statutory requirements.

For and on behalf of Management:



The stamp is circular with a red border. Inside the border, the text reads: 'S. Q. Đ: 34 - C. T. C. P.' at the top, 'CÔNG TY CỔ PHẦN CHỨNG KHOÁN TP. HỒ CHÍ MINH' in the center, and 'QUẬN 1 TP. HỒ CHÍ MINH' at the bottom. A blue ink signature is written across the stamp.

Mr. Johan Nyvene
Chief Executive Officer

Ho Chi Minh City, Vietnam

21 March 2013

Reference: 60790272/15503688

INDEPENDENT AUDITORS' REPORT

To: The Shareholders of Ho Chi Minh City Securities Corporation

We have audited the financial statements of Ho Chi Minh City Securities Corporation ("the Company") as set out on pages from 81 to 120 which comprise the balance sheet as at 31 December 2012, the income statement, the cash flow statement and the statement of changes in equity for the year then ended, and the notes thereto.

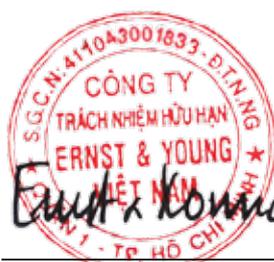
The preparation and presentation of these financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, and of the results of its operations and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and accounting policies applicable to securities companies as set out in Circular No. 95/2008/TT-BTC dated 24 October 2008 and Circular No.162/2010/TT-BTC dated 20 October 2010 issued by the Ministry of Finance and comply with relevant statutory requirements.

*Ernst & Young Vietnam Ltd.*

Ernst & Young Vietnam Limited

Mai Viet Hung Tran
Deputy General Director
Certificate No. 0048/KTVLe Thi Thanh Ha
Auditor
Certificate No. 1600/KTV

Ho Chi Minh City, Vietnam

21 March 2013

BALANCE SHEET

as at 31 December 2012

B01-CTCK

VND

<i>Code ASSETS</i>	<i>Notes</i>	<i>Ending balance</i>	<i>Beginning balance</i>
100 A. CURRENT ASSETS		2,585,109,719,671	2,356,188,301,551
110 I. Cash and cash equivalents	4	1,794,202,976,893	673,986,246,531
111 1. Cash		1,794,202,976,893	673,986,246,531
112 2. Cash equivalents		-	-
120 II. Short-term financial investments	6.1	152,323,020,894	96,376,022,545
121 1. Short-term investments		203,325,585,176	149,036,992,866
129 2. Provision for short-term investments		(51,002,564,282)	(52,660,970,321)
130 III. Short-term receivables	7	634,679,079,188	1,580,920,549,820
131 1. Trade receivables		1,410,917,105	2,113,187,100
132 2. Advances to suppliers		353,848,252	1,842,733,528
133 3. Short-term internal receivables		-	-
135 4. Receivables from securities trading activities		552,121,896,930	646,507,726,523
138 5. Other receivables		104,097,165,353	948,936,737,564
139 6. Provision for doubtful debts		(23,304,748,452)	(18,479,834,895)
140 IV. Inventories		-	-
150 V. Other current assets		3,904,642,696	4,905,482,655
151 1. Short-term prepaid expenses	8	3,659,266,484	4,519,574,259
152 2. Value added tax deductible		-	-
154 3. Tax and other receivables from the State		-	-
157 4. Reverse repurchase agreement of Government bonds		-	-
158 5. Other current assets		245,376,212	385,908,396

BALANCE SHEET (continued)
as at 31 December 2012

B01-CTCK

VND

Code ASSETS	Notes	Ending balance	Beginning balance
200 B. NON-CURRENT ASSETS		613,825,595,743	272,019,581,286
210 I. Long-term receivables		-	-
211 1. Long-term trade receivables		-	-
212 2. Paid-in capital in wholly-owned subsidiaries		-	-
213 3. Long-term internal receivables		-	-
218 4. Other long-term receivables		-	-
219 5. Provision for doubtful long-term receivables		-	-
220 II. Fixed assets		11,911,394,466	15,792,823,557
221 1. Tangible fixed assets	9	9,858,897,465	12,208,871,467
222 - Cost		41,738,040,089	35,345,260,910
223 - Accumulated depreciation		(31,879,142,624)	(23,136,389,443)
224 2. Financial leases		-	-
225 - Cost		-	-
226 - Accumulated depreciation		-	-
227 3. Intangible fixed assets	10	2,052,497,001	3,583,952,090
228 - Cost		21,084,673,883	19,223,427,883
229 - Accumulated amortisation		(19,032,176,882)	(15,639,475,793)
230 4. Constructions in progress		-	-
240 III. Investment properties		-	-
241 - Cost		-	-
242 - Accumulated amortisation		-	-
250 IV. Long-term investments		475,293,967,755	123,484,427,755
251 1. Investments in subsidiaries		-	-
252 2. Investments in associates, jointly controlled entities		-	-
253 3. Long-term securities		475,293,967,755	123,484,427,755
254 - Available-for-sale securities	6.2	475,293,967,755	123,484,427,755
255 - Held-to-maturity securities		-	-
258 4. Other long-term investments		-	-
259 5. Provision for long-term investments		-	-
260 V. Other long-term assets		126,620,233,522	132,742,329,974
261 1. Long-term prepaid expenses	11	113,511,817,548	122,701,592,237
262 2. Deferred tax assets		-	-
263 3. Advance to Settlement Assistance Fund	12	9,332,583,310	7,041,030,873
268 4. Other long-term assets	13	3,775,832,664	2,999,706,864
270 TOTAL ASSETS		3,198,935,315,414	2,628,207,882,837

BALANCE SHEET (continued)
as at 31 December 2012

B01-CTCK

VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
300	A. LIABILITIES		1,036,421,290,135	599,240,181,832
310	I. Current liabilities		926,421,290,135	387,444,406,832
311	1. Short-term loans and borrowings		-	-
312	2. Trade payables		1,839,982,323	135,723,861
313	3. Advances from customers		-	-
314	4. Statutory obligations	14	12,434,392,518	11,479,966,802
315	5. Payables to employees		-	-
316	6. Accrued expenses	15	33,992,178,397	22,829,411,059
317	7. Short-term internal payable		-	-
320	8. Payables for securities trading	16	688,781,849,995	216,946,754,347
321	9. Dividend, principal and interest payables		4,534,730,890	3,458,781,310
322	10. Payables to securities issuers		-	-
323	11. Bonus and welfare fund		15,582,206,561	25,417,863,603
327	12. Repurchase agreement of Government bonds	17	163,195,578,241	-
328	13. Other payables	18	6,060,371,210	107,175,905,850
329	14. Short-term provision		-	-
330	II. Non-current liabilities		110,000,000,000	211,795,775,000
331	1. Long-term trade payables		-	-
332	2. Long-term internal payables		-	-
333	3. Other long-term liabilities		-	1,795,775,000
334	4. Long-term loans and debts	19	110,000,000,000	210,000,000,000
335	5. Deferred tax liabilities		-	-
336	6. Provision for severance allowances		-	-
337	7. Long-term provision		-	-
339	8. Provision for compensation of investors		-	-
400	B. OWNERS' EQUITY	20	2,162,514,025,279	2,028,967,701,005
410	I. Capital		2,162,514,025,279	2,028,967,701,005
411	1. Share capital		1,008,486,370,000	998,486,370,000
412	2. Share premium		560,834,915,000	560,834,915,000
413	3. Other capital belonging to owners' equity		-	-
414	4. Treasury shares		(5,165,052,464)	(4,648,924,200)
415	5. Asset revaluation reserve		-	-
416	6. Foreign exchange differences reserve		-	-
417	7. Investment and development fund		3,961,374,994	3,961,374,994
418	8. Financial reserve		116,409,099,437	91,771,047,055
419	9. Other funds belonging to owners' equity		-	-
420	10. Undistributed earnings		477,987,318,312	378,562,918,156
440	TOTAL LIABILITIES AND OWNERS' EQUITY		3,198,935,315,414	2,628,207,882,837

BALANCE SHEET (continued)
as at 31 December 2012

B01-CTCK

OFF BALANCE SHEET ITEMS

		VND	
Code	ITEMS	Ending balance	Beginning balance
001	1. Fixed assets under operating lease	-	-
002	2. Goods, valuable certificates held under trust	-	-
003	3. Assets held by the Company on consignment	-	-
004	4. Bad debts written-off	345,059,000	345,059,000
005	5. Foreign currencies	135,378,184	117, 631,056
006	6. Custody securities	8,042,430,840,000	7,694,602,910,000
	<i>Included:</i>		
007	6.1. Trading securities	7,208,242,770,000	6,684,728,410,000
008	6.1.1. Trading securities of custody investors	174,413,390,000	1,040,191,390,000
009	6.1.2. Trading securities of local investors	6,810,498,330,000	5,449,168,350,000
010	6.1.3. Trading securities of foreign investors	223,331,050,000	195,368,670,000
011	6.1.4. Trading securities of other investors	-	-
012	6.2. Temporarily untradable securities	61,455,570,000	115,876,460,000
013	6.2.1. Temporarily untradable securities of custody investors	510,370,000	1,582,900,000
014	6.2.2. Temporarily untradable securities of local investors	57,092,950,000	113,249,960,000
015	6.2.3. Temporarily untradable securities of foreign investors	3,852,250,000	1,043,600,000
016	6.2.4. Temporarily untradable securities of other investors	-	-
017	6.3. Mortgaged securities	387,731,900,000	766,803,100,000
018	6.3.1. Mortgaged securities of custody investors	-	-
019	6.3.2. Mortgaged securities of local investors	387,731,900,000	766,803,100,000
020	6.3.3. Mortgaged securities of foreign investors	-	-
021	6.3.4. Mortgaged securities of other investors	-	-
022	6.4. Temporarily blocked securities	-	-
023	6.4.1. Temporarily blocked securities of custody investors	-	-
024	6.4.2. Temporarily blocked securities of local investors	-	-
025	6.4.3. Temporarily blocked securities of foreign investors	-	-
026	6.4.4. Temporarily blocked securities of other investors	-	-
027	6.5. Securities awaiting settlement	382,581,400,000	106,243,080,000
028	6.5.1. Securities awaiting settlement of custody investors	4,188,900,000	4,434,000,000
029	6.5.2. Securities awaiting settlement of local investors	377,834,500,000	95,072,380,000
030	6.5.3. Securities awaiting settlement of foreign investors	558,000,000	6,736,700,000
031	6.5.4. Securities awaiting settlement of other investors	-	-

OFF BALANCE SHEET ITEMS (continued)

		VND	
Code	ITEMS	Ending balance	Beginning balance
032	6.6. Blocked securities waiting for releases	-	-
033	6.6.1. Blocked securities waiting for releases of custody investors	-	-
034	6.6.2. Blocked securities waiting for releases of domestic investors	-	-
035	6.6.3. Blocked securities waiting for releases of foreign investors	-	-
036	6.6.4. Blocked securities waiting for releases of other investor	-	-
037	6.7. Securities waiting for trading	2,419,200,000	20,951,860,000
038	6.7.1. Securities waiting for trading of custody investors	-	-
039	6.7.2. Securities waiting for trading of domestic investors	2,226,240,000	20,892,280,000
040	6.7.3. Securities waiting for trading of foreign investors	192,960,000	59,580,000
041	6.7.4. Securities waiting for trading of other investors	-	-
042	6.8. Securities mortgaged for a loan	-	-
043	6.8.1. Securities mortgaged for a loan of custody investors	-	-
044	6.8.2. Securities mortgaged for a loan of local investors	-	-
045	6.8.3. Securities mortgaged for a loan of foreign investors	-	-
046	6.8.4. Securities mortgaged for a loan of other investors	-	-
047	6.9. Securities related to error transactions	-	-
050	7.Custody securities of unlisted public companies	225,238,530,000	193,758,100,000
	<i>Included:</i>		
051	7.1. Trading securities	201,715,390,000	184,987,280,000
052	7.1.1. Trading securities of custody investors	2,934,790,000	73,932,410,000
053	7.1.2. Trading securities of local investors	196,498,330,000	109,660,770,000
054	7.1.3. Trading securities of foreign investors	2,282,270,000	1,394,100,000
055	7.1.4. Trading securities of other investors	-	-
056	7.2. Temporarily untradable securities	6,672,430,000	8,686,820,000
057	7.2.1. Temporarily untradable securities of custody investors	354,000,000	354,000,000
058	7.2.2. Temporarily untradable securities of local investors	6,318,430,000	8,332,820,000
059	7.2.3. Temporarily untradable securities of foreign investors	-	-
060	7.2.4. Temporarily untradable securities of other investors	-	-

BALANCE SHEET (continued)
as at 31 December 2012

B01-CTCK

OFF BALANCE SHEET ITEMS (continued)

		VND	
Code	ITEMS	Ending balance	Beginning balance
061	7.3. Mortgaged securities	-	-
062	7.3.1. Mortgaged securities of custody investors	-	-
063	7.3.2. Mortgaged securities of local investors	-	-
064	7.3.3. Mortgaged securities of foreign investors	-	-
065	7.3.4. Mortgaged securities of other investors	-	-
066	7.4. Temporarily blocked securities	-	-
067	7.4.1. Temporarily blocked securities of custody investors	-	-
068	7.4.2. Temporarily blocked securities of local investors	-	-
069	7.4.3. Temporarily blocked securities of foreign investors	-	-
070	7.4.4. Temporarily blocked securities of other investors	-	-
071	7.5. Securities waiting for settlement	106,410,000	34,000,000
072	7.5.1. Securities waiting for settlement of custody investors	-	-
073	7.5.2. Securities waiting for settlement of local investors	106,410,000	34,000,000
074	7.5.3. Securities waiting for settlement of foreign investors	-	-
075	7.5.4. Securities waiting for settlement of other investors	-	-
076	7.6. Blocked securities waiting for releases	16,744,300,000	50,000,000
077	7.6.1. Blocked securities waiting for releases of custody investors	-	-
078	7.6.2. Blocked securities waiting for releases of domestic investors	16,744,300,000	50,000,000
079	7.6.3. Blocked securities waiting for releases of foreign investors	-	-
080	7.6.4. Blocked securities waiting for releases of other investors	-	-
081	7.7. Securities related to error transactions	-	-
082	8. Non-custody securities held of investors	-	-
083	9. Non-custody securities held of securities companies	-	-
084	10. Securities held on trust for auction	-	-

INCOME STATEMENT

for the year ended 31 December 2012

B02-CTCK

VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue		562,371,939,466	480,490,832,437
	<i>In which:</i>			
01.1	Revenue from brokerage services		145,027,366,043	90,904,405,174
01.2	Revenue from securities investments		29,807,426,837	30,345,199,021
01.3	Revenue from underwriting services		-	-
01.4	Revenue from securities issuance services		768,000,000	-
01.5	Revenue from finance advisory services		12,771,683,832	27,942,808,132
01.6	Revenue from custodian services		3,878,980,057	-
01.7	Revenue from trust auction services		-	73,663,518
01.8	Revenue from assets for lease		-	-
01.9	Other revenue	21	370,118,482,697	331,224,756,592
02	2. Deductions		-	-
10	3. Net revenues from operating activities		562,371,939,466	480,490,832,437
11	4. Operating expenses	22	(165,711,574,148)	(156,586,839,181)
20	5. Gross profit from operating activities		396,660,365,318	323,903,993,256
25	6. General and administrative expenses	23	(89,973,914,786)	(86,385,202,417)
30	7. Net profit from operating activities		306,686,450,532	237,518,790,839
31	8. Other income		301,701,823	102,261,831
32	9. Other expenses		(143,958,917)	(732,503,820)
40	10. Other profit/(loss)		157,742,906	(630,241,989)
50	11. Profit before tax		306,844,193,438	236,888,548,850
51	12. Current corporate income tax expense	24.1	(60,463,669,619)	(42,468,125,830)
52	13. Deferred income tax expense	24.2	-	-
60	14. Net profit after tax		246,380,523,819	194,420,423,020
70	15. Basic earnings per share	28	2,474	2,920

CASH FLOW STATEMENT

for the year ended 31 December 2012

B03-CTCK

VND

Code	ITEMS	Notes	Current year	Previous year
I. CASH FLOWS FROM OPERATING ACTIVITIES				
01	1. Net profit before tax		306,844,193,438	236,888,548,850
2. Adjustments for:				
02	- Depreciation, amortisation, and allocated prepaid expenses		48,685,825,446	49,852,849,642
03	- Provisions		1,378,982,518	(16,481,438,845)
04	- Unrealised foreign exchange (gains)/losses		-	-
05	- Profits from investing activities		(188,680,511,681)	(211,363,527,520)
06	- Interest expense		27,622,289,805	23,152,661,786
08	3. Operating profit before changes in working capital		195,850,779,526	82,049,093,913
09	- Decrease/(increase) in receivables		931,352,981,895	(667,233,652,617)
10	- (Increase)/decrease in short-term investments		(54,288,592,310)	96,990,559,182
11	- Increase/(decrease) in payables (other than interest, corporate income tax)		643,114,045,781	(666,265,955,851)
12	- (Increase)/decrease in prepaid expenses		(26,085,179,647)	(25,423,417,769)
13	- Interest paid		(15,877,355,635)	(15,462,908,753)
14	- Corporate income tax paid	24.1	(61,287,974,741)	(39,574,562,256)
15	- Other cash inflows from operating activities		-	1,213,589,363
16	- Other cash outflows from operating activities		(28,673,303,708)	(2,047,000,546)
20	Net cash flows from/(used in) operating activities		1,584,105,401,161	(1,235,754,255,334)
II. CASH FLOWS FROM INVESTING ACTIVITIES				
21	1. Purchase and construction of fixed assets and other long-term assets		(8,669,134,244)	(4,636,982,436)
22	2. Proceeds from disposals of fixed assets and other long-term assets		57,690,909	102,261,831
23	3. Loans to other entities and payments for purchase of debt instruments of other entities		(351,629,000,000)	-
24	4. Collections from borrowers and proceeds from sale of debt instruments of other entities		-	-
25	5. Payments for investments in other entities		(180,540,000)	(102,887,591,371)
26	6. Proceeds from sale of investments in other entities		-	-
27	7. Interest and dividends received		196,394,843,515	211,139,711,297
30	Net cash outflows (used in)/from investing activities		(164,026,139,820)	103,717,399,321

CASH FLOW STATEMENT

for the year ended 31 December 2012

B03-CTCK

VND

<i>Code</i>	<i>ITEMS</i>	<i>Notes</i>	<i>Current year</i>	<i>Previous year</i>
III. CASH FLOWS FROM FINANCING ACTIVITIES				
31	1. Capital contribution and issuance of shares	20.2	10,000,000,000	398,489,510,000
32	2. Capital redemption		(1,758,264)	(21,566,840)
33	3. Drawdown of borrowings		-	825,000,000,000
34	4. Repayment of borrowings		(100,000,000,000)	(615,000,000,000)
35	5. Payment of finance lease liabilities		-	-
36	6. Dividends paid to equity holders	20.3	(209,860,772,715)	(41,929,669,415)
40	Net cash flows (used in)/from financing activities		(299,862,530,979)	566,538,273,745
50	Net increase/(decrease) in cash and cash equivalents		1,120,216,730,362	(565,498,582,268)
60	Cash and cash equivalents at the beginning of the year	4	673,986,246,531	1,239,484,828,799
61	Impact of exchange rate fluctuation		-	-
70	Cash and cash equivalents at the end of the year	4	1,794,202,976,893	673,986,246,531

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

B05-CTCK

VND

ITEMS	Notes	Beginning balance		Increase/decrease				Ending balance	
		Previous year	Current year	Previous year		Current year		Previous year	Current year
				Increase	Decrease	Increase	Decrease		
1. Share capital	20	599,996,860,000	998,486,370,000	398,489,510,000	-	10,000,000,000	-	998,486,370,000	1,008,486,370,000
2. Share premium	20	560,834,915,000	560,834,915,000	-	-	-	-	560,834,915,000	560,834,915,000
3. Other owners' capital		-	-	-	-	-	-	-	-
4. Treasury shares	20	(3,971,077,360)	(4,648,924,200)	(677,846,840)	-	(516,128,264)	-	(4,648,924,200)	(5,165,052,464)
5. Asset revaluation reserve		-	-	-	-	-	-	-	-
6. Foreign exchange differences reserve		-	-	-	-	-	-	-	-
7. Investment and development fund	20	3,961,374,994	3,961,374,994	-	-	-	-	3,961,374,994	3,961,374,994
8. Financial reserve	20	72,329,004,753	91,771,047,055	19,442,042,302	-	24,638,052,382	-	91,771,047,055	116,409,099,437
9. Other funds belonging to owners' equity		-	-	-	-	-	-	-	-
10. Undistributed earnings	20	356,020,232,399	378,562,918,156	194,420,423,020	(171,877,737,263)	246,380,523,819	(146,956,123,663)	378,562,918,156	477,987,318,312
TOTAL		1,589,171,309,786	2,028,967,701,005	611,674,128,482	(171,877,737,263)	280,502,447,937	(146,956,123,663)	2,028,967,701,005	2,162,514,025,279

1. CORPORATE INFORMATION

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

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

The Company's head office is located at Floor 5 and 6, AB Tower, 76 Le Lai Street, Ben Thanh, Ward, District 1, Ho Chi Minh City. At 31 December 2012, the Company had two branches located in Ho Chi Minh City and Hanoi, and transaction offices in Ho Chi Minh City and Hanoi.

The number of the Company's employees as at 31 December 2012 was 509 persons (31 December 2011: 552 persons).

2. BASIS OF PREPARATION

2.1 Accounting Standards and System

The financial statements of the Company, which are expressed in Vietnam dong ("dong" or "VND"), are prepared in accordance with the Vietnamese Accounting System, accounting policies applicable to securities companies according to Circular No. 95/2008/TT-BTC dated 24 October 2008, Circular No. 162/2010/TT-BTC dated 20 October 2010 issued by the Ministry of Finance and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- ▶ Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- ▶ Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- ▶ Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- ▶ Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 5).

The accompanying balance sheet, income statement, cash flow statement, statement of change in equity, and related notes, including their uses are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.2 Registered accounting documentation system

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

2.3 Fiscal year

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

2.4 Accounting currency

The Company maintains its accounting records in VND.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Change in accounting policies and disclosures

The accounting policies adopted by the Company in preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the financial year ended 31 December 2011.

3.2 Cash and cash equivalents

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

3.3 Receivables

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

Receivables are subject to review for impairment based on overdue periods of the receivables or estimated loss arising from undue receivables from economic entities which fall bankrupt or are undergoing dissolution procedures; or from debtors who are missing, have fled, are prosecuted, detained or tried by law enforcement bodies, are serving sentences or have deceased. Increases or decreases to the provision balance are recorded as "General and administrative expenses" in the income statement.

The Company has made provision for doubtful receivables in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by the Ministry of Finance. Accordingly, the provision rates for overdue receivables are as follows:

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

3.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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

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

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

3.5 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 *Intangible fixed assets (continued)*

When intangible fixed assets are sold or retired, their costs and accumulated amortisation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

3.6 *Depreciation and amortisation*

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

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

3.7 *Operating lease*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

Rentals under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

3.8 *Prepaid expenses*

Prepaid expenses are reported as short-term or long-term prepaid expenses on the balance sheet and amortised over the period for which the amount are paid or the period in which economic benefit are generated in relation to these expenses.

The following types of expenses are recorded as long-term prepaid expense and are amortised to the income statement over two to forty years:

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

3.9 *Investments in securities*

According to Circular No. 95/2008/TT-BTC issued by the Ministry of Finance on 24 October 2008, securities companies are allowed to recognise investments in securities at either cost or fair value. Accordingly, the Company has applied the cost method to recognise investments in securities.

3.9.1 *Short-term investments in securities*

They are securities which either have recovery period of within one year or held for trading purposes. These securities are initially recorded at cost, including purchased costs plus (+) transaction costs (if any) such as brokerage and transaction fee, information fee, taxes, levies and banking fees.

Accrued interest income is recognised as a deduction in carrying value of trading securities for the portion incurred before the purchasing date and as an investment income for the amount incurred since the purchasing date.

Trading securities are subject to review for impairment at each balance sheet date. Provision for impairment of trading securities is made when their carrying value is higher than market value. Provision for impairment loss is recognised in "Operating expenses" in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Investments in securities (continued)

3.9.2 Long-term investments in securities

Long-term investments in securities comprise of available-for-sale securities and held-to-maturity securities.

Held-to-maturity securities are non-derivative and have predetermined cash flows and fixed maturities and the Company has intention to hold these securities until the maturity date.

Securities shall not be classified in held-to-maturity category if during the current year or recent two years, a substantial volume of securities is sold or reclassified earlier than their maturities, unless these sales and reclassification are:

- ▶ Close to the maturity date;
- ▶ The Company recovered a majority of cost of securities according to repayment schedule or received earlier than the maturity date; or
- ▶ Subject to a non-controllable event of the Company and this event occurred one time only and unpredictably.

Available-for-sale securities are non-derivative which are not classified as neither held-to-maturity securities nor trading securities.

Long-term investments in securities are measured at cost. Provision for impairment is recognised in the income statement when there is sufficient objective evidence of the long-term diminution of the investments.

3.10 Provision for impairment of short-term and long-term investment securities

Provision for impairment of investment securities is made for individual stocks when the market values are lower than original costs. Provision amount for transferable securities is the difference between the original cost and market value of those securities at the balance sheet date in accordance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. Any increase or decrease in balance of provision is recognised to operating expenses for the year.

The market prices of listed securities are determined based on the quoted prices on the stock markets (which are the average prices on the Hanoi Stock Exchange and the closing prices on the Ho Chi Minh City Stock Exchange) as at 31 December 2012.

The market values of unlisted shares which have been registered on the unlisted public companies market (UPCom) are the average prices of the trading market at the date of provision.

The market values of unlisted shares which have not been registered on the unlisted public companies market (UPCom) are the average public price quotations obtained from at least three reputable and large securities companies in the market.

Other securities that have no quoted prices are carried at cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the balance sheet. The corresponding cash received is recognised in the balance sheet as a "repurchase agreements" (if any), reflecting its economic substance as a loan to the Company. The difference between the sale price and repurchase price is recognised as interest expense and is accrued over the life of the agreement using the straight-line method.

Conversely, securities purchased under agreements to resell at a specified future date ("reverse repos") (if any) are not recognised in the balance sheet. The corresponding cash paid is recognised in the balance sheet as a "reverse repurchase agreements" (if any). The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the straight-line method.

For overdue commitments, the difference shall not be accrued and recognised in the statement of profits and losses when amount is actually received.

3.12 Payables and accruals

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

3.13 Employee benefits

3.13.1 Post employment benefits

Post employment benefits are paid to retired employees of the Company by the Social Insurance Agency which belongs to the Ministry of Labor and Social Affairs. The Company is required to contribute to these post employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 17% of an employee's basic salary on a monthly basis. The Company has no further obligation to fund the post employment benefits of its employees, other than the liability to pay the Social Insurance Agency on a monthly basis.

3.13.2 Severance pay and retrenchment pay

Severance pay: according to Article 42 of the Labour Code, amended on 2 April 2002, the Company is obliged to pay a severance pay to employee, with the equivalent of half a month's basic salary for each year of employment plus other remuneration (if any) as of 31 December 2008.

Retrenchment pay: according to Article 17 of the Labour Code, the Company is obliged to pay retrenchment pay for employees who lost their jobs due to restructuring or technological changes. In this case, the Company will be obliged to pay retrenchment pay for a total amount equivalent to one month's salary for each year of employment, but not less than two months' salary.

3.13.3 Unemployment benefits

According to Circular No. 04/2009/TT-BLĐTBXH and Decree No. 127/2008/ND-CP, since 1 January 2009, the Company is required to pay unemployment insurance at the rate of 1% of salary of employees who participate in the unemployment program and deduct 1% from each employee's basic salary.

3.14 Foreign currency transactions

At the end of the year, monetary assets and liabilities denominated in foreign currencies are translated at inter-bank exchange rates ruling at the balance sheet date. Revenue or expenses in foreign currencies are converted into VND at exchange rates ruling at the transaction date. All foreign exchange differences arising from spot rates at transaction date and revaluation at balance sheet date are charged to the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Treasury shares (buy-back shares)

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

3.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from brokerage services

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

Revenue from securities trading

Revenue from securities trading is recognised on the basis of the difference between cost-of-sale and selling price.

Revenue from securities repurchase and reverse repurchase agreements

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

Interest

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

Dividend

Income is recognised when the Company's entitlement as an investor to receive the dividend is established, except for dividend received in shares which is monitored by number of shares only.

3.17 Cost of securities sold

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

3.18 Taxation

Current income tax

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Taxation (continued)

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ▶ where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be used, except:

- ▶ where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Previously unrecognised deferred income tax assets are re assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset realised or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date.

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

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

3.19 Statutory reserves

According to Circular No. 11/2000/TT-BTC issued by the Ministry of Finance dated 1 February 2000, securities companies are required to make appropriation of profit after tax to the following reserves:

	<u>Percentage of profit after tax</u>	<u>Maximum level</u>
Charter capital supplementary reserve	5%	10% of share capital
Compulsory reserve	5%	10% of share capital

Other reserves are created in accordance with the Resolution of the Company's Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2012

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Appropriation of net profits

Net profit after tax is available for appropriation to investors after approval by the Annual General Meeting, and after making appropriation to reserve funds in accordance with the Company's Charter and Vietnam's regulatory requirements.

4. CASH AND CASH EQUIVALENTS

	Ending balance	Beginning balance
Cash on hand	261,090,054	284,612,036
Cash at banks	1,793,941,886,839	673,701,634,495
<i>In which:</i>		
- Cash of the Company	1,413,336,145,691	476,476,839,148
- Cash of investors	380,605,741,148	197,224,795,347
TOTAL	1,794,202,976,893	673,986,246,531

5. VALUE AND VOLUME OF TRADING RESULTS IN THE YEAR

	Trading volume in the year (unit)	Trading value in the year (VND)
a. Trading results of the Company	114,624,429	3,466,408,672,264
- Shares	91,110,899	1,259,355,232,264
- Bonds	23,513,530	2,207,053,440,000
b. Trading results of the investors	5,051,808,423	76,409,148,423,964
- Shares	4,948,848,601	66,250,826,959,964
- Bonds	102,959,822	10,158,321,464,000
TOTAL	5,166,432,852	79,875,557,096,228

6. FINANCIAL INVESTMENTS

	Quantity (Unit)	Cost	Compared to the market value		Total market value
			Increase	Decrease	
Short-term investments					
- Listed shares	7,257,191	81,394,005,674	3,065,359,527	(9,442,013,082)	75,017,352,119
- Unlisted shares	4,981,492	121,931,579,502	-	(41,560,551,200)	80,371,028,302
TOTAL	12,238,683	203,325,585,176	3,065,359,527	(51,002,564,282)	155,388,380,421
Long-term investments					
Available-for-sale securities					
- Fund certificates	10,084,740	103,068,131,371	5,847,060,629	-	108,915,192,000
- Government bonds	3,700,000	372,225,836,384	-	-	372,225,836,384
	13,784,740	475,293,967,755	5,847,060,629	-	481,141,028,384

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2012

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6. FINANCIAL INVESTMENTS (continued)

6.1 Short-term investments

Breakdown of short-term investments of the Company is as follows:

	<i>Ending balance</i>	<i>VND Beginning balance</i>
Short-term investments in securities	203,325,585,176	149,036,992,866
Provision for impairment of short-term investments	(51,002,564,282)	(52,660,970,321)
Net value of short-term investments	152,323,020,894	96,376,022,545

Movements of provision for impairment of short-term investments during the year were as follows.

	<i>Current year</i>	<i>VND Previous year</i>
Beginning balance	52,660,970,321	69,132,574,666
Provision charged	5,096,723,532	13,865,868,471
Reversal of provision	(6,755,129,571)	(30,337,472,816)
Ending balance	51,002,564,282	52,660,970,321

6.2 Available-for-sale securities

	<i>Ending balance</i>	<i>VND Beginning balance</i>
Government bonds	372,225,836,384	20,596,836,384
Fund certificates	103,068,131,371	102,887,591,371
TOTAL	475,293,967,755	123,484,427,755

6. FINANCIAL INVESTMENTS (continued)

6.3 Details of provision for short-term investments

Items	Carrying value		Decrease compared with market value		Market value	
	Ending balance	Beginning balance	Ending balance	Beginning balance	Ending balance	Beginning balance
Shares	136,481,358,219	114,489,314,594	(46,846,930,921)	(47,614,606,321)	91,025,101,402	66,912,512,731
<i>Listed shares</i>	36,353,405,717	10,152,113,394	(5,286,379,721)	(5,787,145,121)	32,457,700,100	4,402,772,731
Viettronics TanBinh Joint Stock Company (VTB)	8,560,710,211	8,560,710,211	(5,167,597,711)	(5,620,012,711)	3,393,112,500	2,940,697,500
VNDIRECT Securities Joint Stock Company (VND)	7,307,123,419	682,145	-	(376,145)	7,614,394,800	306,000
Hoa Phat Group Joint Stock Company (HPG)	7,149,429,140	40,649	-	(23,149)	7,522,494,000	17,500
Hoang Anh Gia Lai Joint Stock Company (HAG)	6,017,075,737	150,945	(55,907,737)	(72,945)	5,961,168,000	78,000
Saigon Securities Incorporation (SSI)	4,068,040,515	40,178	-	(12,778)	4,399,728,600	27,400
LICOGI 16 Joint Stock Company (LCG)	2,728,861,006	56,661	-	(23,061)	3,080,439,100	33,600
Other stocks	522,165,689	1,590,432,605	(62,874,273)	(166,624,332)	486,363,100	1,461,612,731
<i>Unlisted shares</i>	100,127,952,502	104,337,201,200	(41,560,551,200)	(41,827,461,200)	58,567,401,302	62,509,740,000
Lac Viet Joint Stock Company	30,750,000,000	30,750,000,000	(4,350,000,000)	(4,350,000,000)	26,400,000,000	26,400,000,000
Dong A Commercial Joint Stock Bank	16,967,999,502	16,464,248,200	(9,410,708,200)	(9,662,618,200)	7,557,291,302	6,801,630,000
Tan Binh Real Estate Joint Stock Company	11,925,000,000	11,925,000,000	(3,825,000,000)	(3,825,000,000)	8,100,000,000	8,100,000,000
Ca Mau Seafood Joint Stock Company	10,950,030,000	10,950,030,000	(6,562,530,000)	(6,562,530,000)	4,387,500,000	4,387,500,000
Minh Hai Jostoco	8,000,000,000	8,000,000,000	(6,350,000,000)	(6,350,000,000)	1,650,000,000	1,650,000,000
Special Aquatic Products Joint-Stock Company	7,549,983,000	7,549,983,000	(3,229,983,000)	(3,229,983,000)	4,320,000,000	4,320,000,000
Vietnam Ocean Shipping Agency Corporation	6,000,000,000	6,000,000,000	(4,000,000,000)	(4,000,000,000)	2,000,000,000	2,000,000,000
Can Tho Import-Export Seafood Joint Stock Company	4,900,000,000	4,900,000,000	(3,313,800,000)	(3,313,800,000)	1,586,200,000	1,586,200,000
Vinh Tuong Industrial Corporation	2,562,940,000	2,562,940,000	(518,530,000)	(518,530,000)	2,044,410,000	2,044,410,000
Viendong Assurance Corporation	522,000,000	5,235,000,000	-	(15,000,000)	522,000,000	5,220,000,000
Fund certificates	15,155,357,361	10,186,858,000	(4,155,633,361)	(5,046,364,000)	10,999,724,000	5,140,494,000
Vietnam Active Fund (VFA)	15,155,357,361	10,186,858,000	(4,155,633,361)	(5,046,364,000)	10,999,724,000	5,140,494,000
TOTAL	151,636,715,580	124,676,172,594	(51,002,564,282)	(52,660,970,321)	102,024,825,402	72,053,006,731

VND

NOTES TO THE FINANCIAL STATEMENTS (continued)

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7. SHORT-TERM RECEIVABLES

7.1 Short term receivables

Items	Beginning balance		Movement during the year		Ending balance				
	Total	Overdue	Doubtful	Increase	Decrease	Total	Overdue	Doubtful	Provision
1. Trade receivables	2,113,187,100	-	129,867,100	11,785,525,526	(12,487,795,521)	1,410,917,105	-	1,275,517,100	1,275,517,100
- Receivables from advisory services	1,983,320,000	-	-	11,770,347,326	(12,472,617,321)	1,281,050,005	-	1,145,650,000	1,145,650,000
- Receivables from securities investments	129,867,100	-	129,867,100	15,178,200	(15,178,200)	129,867,100	-	129,867,100	129,867,100
2. Advance to suppliers	1,842,733,528	-	-	2,493,272,267	(3,982,157,543)	353,848,252	-	-	-
3. Receivables from securities trading	646,507,726,523	-	15,443,859,795	17,629,988,489,873	(17,724,374,319,466)	552,121,896,930	-	15,443,859,795	15,443,859,795
- Receivables from foreign investors	385,476,516	-	-	40,546,531,862	(40,595,827,733)	336,180,645	-	-	-
- Receivables from advances to investors (*)	47,123,915,146	-	15,443,859,795	2,515,274,810,971	(2,521,466,146,805)	40,932,579,312	-	15,443,859,795	15,443,859,795
- Receivables from margin trading (**)	598,998,334,861	-	-	15,074,167,147,040	(15,162,312,344,928)	510,853,136,973	-	-	-
4. Other receivables	948,936,737,564	2,906,108,000	-	608,462,999,382	(1,453,302,571,593)	104,097,165,353	6,585,371,557	-	6,585,371,557
- Bond interest	18,007,944,240	-	-	34,864,113,235	(46,018,632,817)	6,853,424,658	-	-	-
- Interest of bank deposit	3,511,524,430	-	-	9,028,389,915	(5,645,893,076)	6,894,021,269	-	-	-
- Receivables from reverse repurchase agreements of bonds (***)	900,639,000,000	-	-	496,240,720,000	(1,321,879,720,000)	75,000,000,000	-	-	-
- Receivables from reverse repurchase agreements of shares	21,250,762,273	2,906,108,000	-	53,919,525,606	(60,455,670,828)	14,714,617,051	6,585,371,557	-	6,585,371,557
- Receivables from custody center	5,404,961,699	-	-	24,908,301	(5,429,870,000)	-	-	-	-
- Other short-term receivables	122,544,922	-	-	14,385,342,325	(13,872,784,872)	635,102,375	-	-	-
TOTAL	1,599,400,384,715	2,906,108,000	15,573,726,895	18,252,730,287,048	(19,194,146,844,123)	657,983,827,640	6,585,371,557	16,719,376,895	23,304,748,452

VND

(*) This account includes doubtful debts of VND 15,443,859,795 relating to the purchase of shares of Bien Hoa Confectionery Joint Stock Company. These transactions occurred in 2008 and provision for doubtful debts was fully provided.

(**) These are the receivables under securities margin trading contracts which are secured by investors' securities portfolio or assets. Contract duration is from 90 to 180 days and interest rate ranges from 1.50% to 1.80% per month (2011: from 1.80% to 1.95% per month).

(***) This receivable pertains to the purchases of 1,000,000 BID10904 bonds from PetroVietnam Financial Joint Stock Corporation under the reverse repurchase agreement. The contract has term from 9 August 2012 to 19 February 2013 and bears interest at rate of 12% p.a.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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7. SHORT-TERM RECEIVABLES (continued)

7.2 Provision for doubtful receivables:

	VND	
	Current year	Previous year
Beginning balance	18,479,834,895	18,834,728,395
Amount used of provision	-	(345,059,000)
Provision charged for the year	5,448,250,000	16,665,500
Reversal of provision for the year	(623,336,443)	(26,500,000)
Ending balance	23,304,748,452	18,479,834,895

8. SHORT-TERM PREPAID EXPENSES

	VND	
	Current year	Previous year
Beginning balance	4,519,574,259	3,447,856,603
Increase during the year	25,058,952,597	23,519,957,080
	29,578,526,856	26,967,813,683
Amortisation during the year	(25,919,260,372)	(22,448,239,424)
Ending balance	3,659,266,484	4,519,574,259

9. TANGIBLE FIXED ASSETS

	VND		
	Transportation vehicles	Office equipments	Total
Cost:			
Beginning balance	3,219,787,884	32,125,473,026	35,345,260,910
Newly purchased	-	6,807,888,244	6,807,888,244
Disposals	-	(415,109,065)	(415,109,065)
Ending balance	3,219,787,884	38,518,252,205	41,738,040,089
<i>In which:</i>			
<i>Fully depreciated</i>	13,640,000	13,341,018,277	13,354,658,277
Accumulated depreciation:			
Beginning balance	2,493,816,015	20,642,573,428	23,136,389,443
Charge for the year	534,357,977	8,623,504,269	9,157,862,246
Disposals	-	(415,109,065)	(415,109,065)
Ending balance	3,028,173,992	28,850,968,632	31,879,142,624
Net carrying amount:			
Beginning balance	725,971,869	11,482,899,598	12,208,871,467
Ending balance	191,613,892	9,667,283,573	9,858,897,465

NOTES TO THE FINANCIAL STATEMENTS (continued)
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10. INTANGIBLE FIXED ASSETS

	VND
	<i>Computer software</i>
Cost:	
Beginning balance	19,223,427,883
Newly purchased	1,861,246,000
Ending balance	<u>21,084,673,883</u>
<i>In which:</i>	
Fully amortised	16,573,677,992
Accumulated amortisation:	
Beginning balance	15,639,475,793
Amortisation for the year	3,392,701,089
Ending balance	<u>19,032,176,882</u>
Net carrying amount:	
Beginning balance	3,583,952,090
Ending balance	<u><u>2,052,497,001</u></u>

11. LONG-TERM PREPAID EXPENSES

	Ending balance	Beginning balance
Office rentals (*)	112,248,783,822	119,664,733,794
Office renovation costs	1,263,033,726	3,036,858,443
TOTAL	<u>113,511,817,548</u>	<u>122,701,592,237</u>

(*) This accounts mainly included the unamortised portion of the full prepayment for lease of 1,802 square meters in AB Tower for the period of 40 years amounting to VND 106,699,907,819.

Movements of the long-term prepaid expenses in the year were as follows:

	Current year	Previous year
Beginning balance	122,701,592,237	132,596,758,965
Increase during the year	1,026,227,050	1,903,460,689
	123,727,819,287	134,500,219,654
Amortisation during the year	(10,216,001,739)	(11,798,627,417)
Ending balance	<u>113,511,817,548</u>	<u>122,701,592,237</u>

12. ADVANCE TO SETTLEMENT ASSISTANCE FUND

Advance to Settlement Assistance Fund represent deposits at the Vietnam Securities Depository.

According to Decision No. 60/2004/QĐ-BTC dated 15 July 2004 and Decision No. 72/2005/QĐ-BTC dated 21 October 2005 issued by the Ministry of Finance and Decision No. 17/QĐ-TTLK dated 2 April 2008 issued by the Vietnam Securities Depository of State Securities Commission, the Company is required to deposit an initial amount of VND 120 million and make an annual additional contribution of 0.01% of total value trading of dealing and brokered securities in prior year.

Movements of advance to Settlement Assistance Fund during the year were as follows:

	VND
Initial contribution	120,000,000
Total interest received up to 2011	775,255,317
Total additional contribution up to 2011	6,145,775,556
Balance as at 31 December 2011	7,041,030,873
Additional contribution in 2012	1,880,048,134
Interest received in 2012	411,504,303
Balance as at 31 December 2012	9,332,583,310

13. OTHER LONG-TERM ASSETS

This represents long-term deposits for the leases of the Company's offices.

14. STATUTORY OBLIGATIONS

	<i>Ending balance</i>	<i>Beginning balance</i>
Corporate income tax (Note 24.1)	9,445,541,826	10,269,846,948
Foreign contractor withholding tax	1,017,392,335	27,893,333
Corporate income tax of investors	703,735,417	208,877,050
Personal income tax of the employees	638,412,430	412,064,572
Personal income tax of investors	584,867,256	544,475,005
Value added tax	44,443,254	16,809,894
TOTAL	12,434,392,518	11,479,966,802

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2012

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14. STATUTORY OBLIGATIONS (continued)

VND

<i>No. Items</i>	<i>Beginning balance</i>	<i>Payable in the year</i>	<i>Paid in the year</i>	<i>Ending balance</i>
1 Corporate income tax	10,269,846,948	60,463,669,619	(61,287,974,741)	9,445,541,826
2 Foreign contractor withholding tax	27,893,333	2,236,119,591	(1,246,620,589)	1,017,392,335
3 Corporate income tax of investors	208,877,050	7,485,005,678	(6,990,147,311)	703,735,417
4 Personal income tax of the employees	412,064,572	10,389,016,180	(10,162,668,322)	638,412,430
5 Personal income tax of investors	544,475,005	11,802,444,761	(11,762,052,510)	584,867,256
6 Value added tax	16,809,894	703,875,579	(676,242,219)	44,443,254
7 Business registered tax	-	9,500,000	(9,500,000)	-
	11,479,966,802	93,089,631,408	(92,135,205,692)	12,434,392,518

15. ACCRUED EXPENSES

VND

	<i>Ending balance</i>	<i>Beginning balance</i>
Accrued interest for issued bonds <i>(Note 19 and Note 25)</i>	18,249,143,388	7,689,753,033
Allowance for working performance payable to employees	12,000,000,000	12,000,000,000
Brokerage fee payables to Stock Exchange	1,660,132,846	865,049,402
Other accrued expenses	2,082,902,163	2,274,608,624
TOTAL	33,992,178,397	22,829,411,059

16. PAYABLES FOR SECURITIES TRADING

VND

	<i>Ending balance</i>	<i>Beginning balance</i>
Investors' deposits for securities trading	380,605,741,148	197,224,795,347
Payables to Vietnam Securities Depository for clearing and settlement of securities trading	141,868,166,551	16,695,959,000
Payables to State Treasury for bond transactions (*)	100,689,000,000	-
Payables for repurchase agreements of bonds (**)	65,618,942,296	-
Deposits from investors for trading of OTC stocks	-	3,026,000,000
TOTAL	688,781,849,995	216,946,754,347

(*) This represents payable to the State Treasury for 1,000,000 TD1214172 bonds issued by the State Treasury. The bonds have maturity date on 15 December 2014 and bear interest at rate of 9.5% p.a.

(**) This payable pertains to the sale of 1,000,000 BID10904 bonds to Military Joint Stock Bank with a repurchase commitment. The contract has term from 16 November 2012 to 16 January 2013 and bears interest at rate of 8.00% p.a.

17. REPURCHASE AGREEMENT OF GOVERNMENT BONDS

These are payables from repurchase agreement Government bonds with Vietnam Technological and Commercial JS Bank and Vietnam Prosperity Commercial JS Bank with interest rate from 6.08% p.a. to 6.88% p.a. and maturity dates in January of 2013.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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18. OTHER PAYABLES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Dividend payables to shareholders	3,820,481,079	103,028,407,894
Trade union fee	1,969,924,479	1,803,473,147
Unemployment insurance	57,753,919	97,346,397
Social insurance and health insurance	19,286,471	475,019,517
Other payables	192,925,262	1,771,658,895
TOTAL	6,060,371,210	107,175,905,850

19. LONG TERM LOANS AND DEBTS

On 24 August 2011, the Company successfully issued VND 600,000,000,000 private placement bonds according to Resolution No. 09/2011/NQ-HDQT of the Board of Directors with the following information:

<i>Description</i>	<i>Volume (unit)</i>	<i>Face value (VND)</i>	<i>Total Value (VND)</i>	<i>Interest rate</i>	<i>Term</i>
Straight bonds	600	1,000,000,000	600,000,000,000	14% p.a.	5 years

Interest of straight bonds is paid annually. From the second month onwards, the bonds can be repurchased by the Company at any time until the maturity date. During the year 2011 and 2012, the Company bought back a total of VND 490,000,000,000 of these bonds.

As at 31 December 2012, the outstanding balance of the above mentioned issued bonds was VND 110,000,000,000 and the accrued interest payable was VND 18,249,143,388.

20. OWNERS' EQUITY

20.1 Share capital

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Contributed by shareholders	1,008,486,370,000	998,486,370,000
Share premium	560,834,915,000	560,834,915,000
Treasury shares	(5,165,052,464)	(4,648,924,200)
TOTAL	1,564,156,232,536	1,554,672,360,800

20.2 Capital transactions with share capital and distribution of dividends

	VND	
	<i>Current year</i>	<i>Previous year</i>
Share capital		
Beginning balance	998,486,370,000	599,996,860,000
Increase	10,000,000,000	398,489,510,000
Ending balance	1,008,486,370,000	998,486,370,000

20. OWNERS' EQUITY (continued)

20.2 Capital transactions with share capital and distribution of dividends (continued)

On 8 April 2011, the shareholders approved Resolution No. 01/2011/NQ/DHDCD on the proposal plan to issue 1,000,000 bonus shares for key employees under the ESOP scheme. Subsequently, the Board of Directors issued Resolution No. 12/2011/NQ-HDQT dated 21 December 2011 to determine the definition of key employees, price of stocks and time schedule of the scheme.

On 24 February 2012, the Company received notice from the State Securities Commission of Vietnam to acknowledge the receipt of the full documents for the stock issuance. On 28 March 2012, the Vietnam Securities Depository granted to the Company the Certificate of Securities Registration No. 02/2009/GCNCP-VSD-4 and issued Notice No. 761/TB-CNVSD regarding the listing of 1,000,000 additional shares at the Vietnam Securities Depository. The Company also received Decision No. 32/2012/QD-SGDHCM from the Ho Chi Minh City Stock Exchange approving this listing of additional shares issued on 29 March 2012. The number of additional listed shares was 1,000,000 shares. The effective listing date was 3 April 2012. Accordingly, the Company recognised the additional capital increase of VND 10,000,000,000 on 31 March 2012.

On 10 May 2012, the State Securities Commission of Vietnam issued Decision No. 86/GPDC-UBCK to amend the Business License No. 11/UBCK-GPHDKD issued by the State Securities Commission on 29 April 2003 and replace the previous Amendment No. 332/UBCK-GP issued on 11 June 2010. Accordingly, the Company's share capital is VND 1,008,486,370,000.

20.3 Dividends

	Current year	VND Previous year
Dividends declared and paid during the financial year		
<i>Dividends on ordinary shares</i>		
Dividends for 2008: VND 1,000 per share	6,570,300	6,859,800
Dividends for 2009: VND 2,000 per share	-	37,456,000
Dividends for 2010: VND 1,700 per share	-	41,885,353,615
Dividends for 2011: VND 1,600 per share	159,661,047,945	-
Interim dividends for 2012: VND 500 per share	50,193,154,470	-
TOTAL	209,860,772,715	41,929,669,415

20.4 Shares

	Ending balance	VND Beginning balance
	Share	Share
Authorised shares	100,848,637	99,848,637
Issued shares		
<i>Issued and paid-up shares</i>		
Ordinary shares	100,848,637	99,848,637
Treasury shares		
<i>Held by the Company</i>		
Ordinary shares	282,680	231,120
Outstanding shares		
Ordinary shares	100,565,957	99,617,517

NOTES TO THE FINANCIAL STATEMENTS (continued)

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21. OTHER REVENUE

	VND	
	<i>Current year</i>	<i>Previous year</i>
Revenue from margin trading	185,041,044,907	128,195,520,769
Interest income from bank deposits	138,975,574,115	168,264,099,245
Revenue from reverse repurchase agreements	39,752,827,851	31,356,937,981
Revenue from advances to investors	3,333,395,870	1,903,133,293
Other revenues	3,015,639,954	1,505,065,304
TOTAL	370,118,482,697	331,224,756,592

22. OPERATING EXPENSES

	VND	
	<i>Current year</i>	<i>Previous year</i>
Staff cost	56,536,160,963	43,405,050,704
Brokerage expenses	24,398,170,874	16,968,825,008
External services	22,614,258,580	15,515,280,468
Interest of issued bonds	18,451,946,536	23,152,661,786
Loss on securities trading (*)	12,772,713,249	47,115,531,903
External management consultancy fee	11,155,262,165	13,968,624,759
Cost of repurchase agreements of bonds	9,170,343,269	-
Depreciation and amortisation	5,850,695,738	9,158,238,741
Security custodian expenses	4,722,081,616	2,813,683,727
Material and tool expenses	400,655,790	293,504,292
Other expenses	1,297,691,407	667,042,138
Provision for impairment of investments	5,096,723,532	13,865,868,471
	172,466,703,719	186,924,311,997
Reversal of provision for impairment of investments	(6,755,129,571)	(30,337,472,816)
TOTAL	165,711,574,148	156,586,839,181

(*) According to Circular No. 95/2008/TT-BTC dated 24 October 2008 issued by the Ministry of Finance guiding the accounting policies for securities companies, gains (selling price is higher than purchased cost) on securities investment trading are recognised in revenue from securities investment and losses (selling price is less than purchased cost) are recognised in securities investment expenses.

23. GENERAL AND ADMINISTRATIVE EXPENSES

	VND	
	<i>Current year</i>	<i>Previous year</i>
Staff cost	41,985,563,206	37,999,090,146
Office rental	20,585,554,340	21,584,686,481
External services	12,021,284,821	14,030,957,832
Depreciation and amortisation	6,699,867,597	6,447,744,060
Office renovation expenses	1,995,656,125	4,528,852,532
Taxes and other fees	460,424,038	405,772,577
Office supplies	131,487,519	106,682,998
Other expenses	1,269,163,583	1,291,250,291
Provision for doubtful debts	5,448,250,000	16,665,500
	90,597,251,229	86,411,702,417
Reversal of provision for doubtful debts	(623,336,443)	(26,500,000)
TOTAL	89,973,914,786	86,385,202,417

NOTES TO THE FINANCIAL STATEMENTS (continued)

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24. CORPORATE INCOME TAX

The Company has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits for the period of the five (5) years since 2008 and 25% thereafter.

24.1 Current corporate income tax expense

	<i>Current year</i>	<i>Previous year</i>
CIT expense at rate of 20%	60,413,415,861	40,954,583,296
Adjustment for under provision of tax in prior years	50,253,758	1,513,542,534
TOTAL	60,463,669,619	42,468,125,830

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

The Company's tax reporting will be subject to inspection by the tax authorities. Because the application of laws and regulations on taxes on different types of transactions can be interpreted in different ways, the tax amounts are presented on the financial statements can be changed by the final decision of the tax authorities.

The CIT expense for the year is computed as follows:

	<i>Current year</i>	<i>Previous year</i>
Profit before tax	306,844,193,438	236,888,548,850
Adjustments to increases/(decreases) accounting profit		
<i>Adjustments to increases:</i>		
- Non-deductible expenses	404,913,300	935,506,013
<i>Adjustments to decreases:</i>		
- Non-taxable dividend income	(4,688,117,435)	(9,725,670,382)
- Reversal of provision for impairment of unlisted securities	(493,910,000)	(23,325,468,000)
Current taxable profit	302,067,079,303	204,772,916,481
CIT expense at rate of 20%	60,413,415,861	40,954,583,296
Under provision of tax in prior years	50,253,758	1,513,542,534
Estimated current CIT	60,463,669,619	42,468,125,830
CIT payable at the beginning of the year	10,269,846,948	7,376,283,374
CIT paid during the year	(61,287,974,741)	(39,574,562,256)
CIT payable at the end of the year	9,445,541,826	10,269,846,948

24. CORPORATE INCOME TAX (CIT) (continued)

24.2 Deferred corporate income tax

There was no deferred tax recognised as at 31 December 2012 since there are no significant identified temporary differences between the carrying value and the tax base of assets and liabilities in the financial statements.

25. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related parties during the year were as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>VND Amounts</i>
Dragon Capital Markets Limited (DC)	Strategic shareholder	Dividend paid	65,991,240,000
		Purchasing securities	115,403,165,000
		Selling securities	152,917,478,348
		Selling bonds under repurchase agreement	29,821,396,333
		Purchasing bonds under resale agreement	35,205,600,000
		Brokerage income	67,085,544
		Bond redemption	100,000,000,000
		Interest expenses of bonds issued	7,892,556,181
		Advisory expense	10,451,036,948
		Ho Chi Minh City Fund and Investment Corporation (HFIC)	Strategic shareholder
Purchasing securities	64,828,702,000		
Brokerage income	97,243,059		
Dragon Capital Vietnam Mother Fund	Related party	Selling securities	454,867,756,440
		Purchasing securities	192,039,152,400
		Brokerage income	1,025,360,381
Vietnam Debt Fund SPC (VDF)	Related party	Purchasing bonds under resale agreement	230,982,000,000
		Selling bonds under repurchase agreement	202,004,993,748
		Purchasing securities	18,733,156,200
		Brokerage income	18,432,451
Vietnam Enterprise Investments Limited (VEIL)	Related party	Purchasing securities	332,320,886,000
		Selling securities	108,415,523,000
		Brokerage income	701,799,585

NOTES TO THE FINANCIAL STATEMENTS (continued)
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25. TRANSACTIONS WITH RELATED PARTIES (continued)

Significant transactions with related parties during the year were as follows: (continued)

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>VND Amounts</i>
Amersham Industries Limited (Amersham)	Related party	Selling bonds under repurchase agreement	120,854,250,000
		Purchasing bonds under resale agreement	122,491,860,000
		Purchasing securities	149,988,269,000
		Selling securities	59,535,718,000
		Brokerage income	339,893,632
Vietnam Property Fund Limited	Related party	Purchasing bonds under resale agreement	78,163,000,000
		Selling bonds under repurchase agreement	75,000,000,000
		Brokerage income	30,632,600

Amounts due to and due from related parties at the balance sheet date were as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>VND Payable</i>
Dragon Capital Markets Limited (DC)	Strategic shareholder	Bonds issued	110,000,000,000
		Interest expenses of bonds issued	18,249,143,388
Ho Chi Minh City Fund and Investment Corporation (HFIC)	Strategic shareholder	Deposits for trading securities	14,206,880,763

Transactions with other related parties

Remuneration to members of the Management and Board of Directors:

	<i>VND Current year</i>	<i>VND Previous year</i>
Salaries and bonus	9,071,337,244	8,527,293,815

NOTES TO THE FINANCIAL STATEMENTS (continued)

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26. SEGMENT INFORMATION

Business segment

	Brokerage and customer services	Trading	Advisory services	Treasury activities	Other segments	Unallocated	Total
<i>For the financial year ended 31 December 2012</i>							
1. Revenue from operating activities	148,906,346,100	29,807,426,837	12,771,683,832	367,102,892,743	3,783,589,954	-	562,371,939,466
2. Direct costs	34,546,051,628	20,607,901,249	7,968,803,276	178,175,779,424	1,836,390,022	-	243,134,925,599
3. Depreciation and amortisation	6,821,810,593	27,778,209	49,639,129	5,593,683,436	57,651,968	-	12,550,563,335
4. Other income	-	-	-	-	157,742,906	-	157,742,906
Profit before tax	107,538,483,879	9,171,747,379	4,753,241,427	183,333,429,883	2,047,290,870	-	306,844,193,438
<i>As at 31 December 2012</i>							
1. Segment assets	13,560,670,980	152,323,020,894	1,311,458,415	2,858,943,239,857	1,224,314,241	-	3,027,362,704,387
2. Allocated assets	86,254,873,793	1,006,260,826	3,564,250,983	1,900,933,858	28,276,391,133	-	121,002,710,593
3. Unallocated assets	-	-	-	-	-	50,569,900,434	50,569,900,434
Total assets	99,815,544,773	153,329,281,720	4,875,709,398	2,860,844,173,715	29,500,705,374	50,569,900,434	3,198,935,315,414
1. Segment liabilities	854,605,733,224	-	-	128,249,143,388	1,418,066,993	-	984,272,943,605
2. Unallocated liabilities	-	-	-	-	-	52,148,346,530	52,148,346,530
Total liabilities	854,605,733,224	-	-	128,249,143,388	1,418,066,993	52,148,346,530	1,036,421,290,135

Geographical segment

All operations of the Company are taken place within Vietnam territory.

VND

27. OPERATING LEASE COMMITMENTS

The Company leases its offices under operating lease agreements as follows:

In Ho Chi Minh City:

- Head office at 5th and 6th Floor, AB Tower at 76 Le Lai, Ben Thanh Ward, District 1.
- Branch office at 1st Floor, 6 Thai Van Lung, Ben Nghe Ward, District 1.
- Transaction office at 569-571-573 Tran Hung Dao, Cau Kho Ward, District 1.
- Transaction office at 633 Nguyen Trai, Ward 11, District 5.
- Warehouse for archiving documents at 117A Nguyen Tat Thanh, District 4.

In Hanoi:

- Branch office at 66A Tran Hung Dao, Tran Hung Dao Ward, Hoan Kiem District.
- Transaction office at 2nd Floor, B14 Building, Kim Lien Ward, Dong Da District.
- Warehouse for archiving documents at P803, 8th Floor CT5, My Tri Ward, Tu Liem District.

The minimum lease commitment as at 31 December 2012 under the operating lease agreements is as follows:

	<i>Ending balance</i>	<i>Beginning balance</i>
Less than 1 year	10,692,201,376	8,991,190,595
From 1 - 5 years	17,945,752,979	24,844,582,069
TOTAL	28,637,954,355	33,835,772,664

28. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations:

	<i>Current year</i>	<i>Previous year</i>
Net profit after tax attributable to ordinary equity holders for basic earnings - VND	246,380,523,819	194,420,423,020
Weighted average number of ordinary shares for basic earnings per share	99,600,699	66,584,584
Basic earnings per share - VND	2,474	2,920

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company implements risk management framework as comprehensive:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risks: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits and available-for-sale investments.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

In calculating the sensitivity analyses, management assumed that the sensitivity of available-for-sale debt instruments in the balance sheet and the relevant items in the income statement are affected by the assumptions of changes in market risks. This is based on the financial assets and financial liabilities held as at 31 December 2012.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rate relates primarily to the Company's cash and short-term deposits. These investments are mainly short term in nature and they are not held for speculative purposes.

The Company manages interest rate risk by looking at the competitive structure of the market to obtain rates which are favorable for its purposes within its risk management limits.

A sensitivity analysis is not performed for interest rate risk for the year ended 31 December 2012 as the Company's exposure to interest-rate risk is minimal or debts bear fixed interest rate at reporting date.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's accounting currency).

Risk due to exchange rate's fluctuation of the Company is not significant.

Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainty about future values of the investment securities. The company manages the stock price risk by setting limits on stock investments. The Board of Directors of the Company also reviews and approves all investment decisions on stocks.

At 31 December 2012, the exposure to listed equity securities at fair value was VND 183,932,544,119 (31 December 2011: VND 115,087,748,083). A decrease of 10% on the stock market index could have an impact of approximately VND 18,393,254,412 (31 December 2011: VND 11,508,774,808) on the Company's profit before tax, depending on whether or not the decline is significant or prolonged. An increase of 10% in the value of the listed securities would increase Company's profit before tax by VND 18,393,254,412 (31 December 2011: VND 11,508,774,808).

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by the Company based on its established policy, procedures and control relating to customer credit risk management.

Outstanding customer receivables are regularly monitored. The requirement for impairment is analysed at each reporting date on an individual basis for major clients. The Company has maintained strict control over its outstanding receivables and has a credit control department to minimize credit risk. The margin call is conducted on time and complies with the nature of the margin product.

In view of the aforementioned and the fact that the Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Bank deposits

The Company's bank balances are mainly maintained with well-known banks in Vietnam. Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the balance sheet at each reporting dates are the carrying amounts as illustrated in Note 4. The Company evaluates the concentration of credit risk in respect to bank deposit as low.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligation due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Company monitors its liquidity risk by maintain a level of cash and cash equivalents and bank loans deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual discounted payments:

	<i>On demand</i>	<i>Less than 1 year</i>	<i>From 1 to 5 years</i>	<i>VND</i> <i>Total</i>
Ending balance				
Long-term loans and borrowings	110,000,000,000	-	-	110,000,000,000
Payables to securities transactions	623,162,907,699	65,618,942,296	-	688,781,849,995
Repurchase agreement of Government bonds	163,195,578,241	-	-	163,195,578,241
Accrued expenses	18,652,614,701	2,647,147,574	-	21,299,762,275
Other short-term payables	12,142,372,098	-	-	12,142,372,098
	927,153,472,739	68,266,089,870	-	995,419,562,609
Beginning balance				
Long-term loans and borrowings	210,000,000,000	-	-	210,000,000,000
Payables to securities transactions	216,946,754,347	-	-	216,946,754,347
Accrued expenses	8,983,907,375	-	-	8,983,907,375
Other short-term payables	106,471,205,999	-	-	106,471,205,999
	542,401,867,721	-	-	542,401,867,721

The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Collateral

The Company does not deposit any of its assets as collateral for loans and borrowings the reporting date.

The Company holds customers' securities as collaterals for the trade receivables from customers as at 31 December 2012 and 31 December 2011.

30. ADDITIONAL PRESENTATION AND DISCLOSURE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS REQUIRED BY CIRCULAR NO. 210/2009/TT-BTC

The following shows the additional presentation and disclosure of financial instruments as required by Circular No. 210/2009/TT-BTC.

Financial assets

Financial assets of the Company under the Circular No. 210/2009/TT-BTC comprise cash, deposits at credit institutions, trading and investment securities, receivables and other assets under monetary derivative contracts.

According to Circular No. 210/2009/TT-BTC, financial assets are classified appropriately, for the purpose of explanation in the financial statements, into one of the following categories:

- *Financial asset recognised at fair value through profit or loss:*
is one that satisfies either of the following conditions:
 - a) Being classified as held for trading. A financial asset will be classified as securities held for trading if:
 - ▶ It is purchased or created mainly for the purpose of resale/redemption in a short term;
 - ▶ There is an evidence that such instrument is traded for the purpose of gaining short-term profits; or,
 - ▶ It is a derivative financial instrument (except derivative financial instruments identified as financial guarantee contracts or effective hedging instruments).
 - b) Upon initial recognition, the entity categorizes the financial asset as such reflected at fair value through profit or loss.
- *Held-to-maturity investments:*
are non-derivative financial assets with fixed or identifiable payments and fixed maturity periods which an entity has the intent and ability to hold until the date of maturity, with the exceptions of:
 - a) Financial assets that, upon initial recognition, were categorized as such recognised at fair value through profit or loss;
 - b) Financial assets already categorized as available for sale;
 - c) Financial assets that meet the definitions of loans and receivables.
- *Loans and receivables:*
are non-derivative financial assets with fixed or identifiable payments and not listed on the market, with the exceptions of:
 - a) The amounts the entity has the intent to immediately sell or will sell in a near future which are classified as assets held for trading and like those which, upon initial recognition the entity categorized as such recognised at fair value through profit or loss.
 - b) The amounts categorized by the entity as available for sale upon initial recognition; or
 - c) The amounts whose holders cannot recover most of the initial investment value not due to credit quality impairment and which are categorized as available for sale.
- *Available-for-sale assets:*
are non-derivative financial assets determined as available for sale or not classified as:
 - a) Loans and receivables;
 - b) Held-to-maturity investments;
 - c) Financial assets recognised at fair value through profit or loss.

**30. ADDITIONAL PRESENTATION AND DISCLOSURE OF FINANCIAL ASSETS
AND FINANCIAL LIABILITIES AS REQUIRED BY CIRCULAR NO. 210/2009/TT-BTC (continued)**

Financial liabilities

Financial liabilities of the Company under the Circular No. 210/2009/TT-BTC consist of borrowings, payables and other liabilities under monetary derivative contracts.

According to Circular No. 210/2009/TT-BTC, financial liabilities are classified appropriately, for the purpose of explanation in the financial statements, into one of the following categories:

- *Financial liabilities recognised at fair value through profit or loss*
are ones that meet either of the following conditions:
 - a) Being classified as held for trading. A financial liability will be classified as securities held for trading if:
 - ▶ It is purchased or created mainly for the purpose of resale/redemption in a short term;
 - ▶ There is an evidence that such instrument is traded for the purpose of gaining short-term profits; or
 - ▶ It is a derivative financial instrument (except derivative financial instruments identified as financial guarantee contracts or effective hedging instruments).
 - b) Upon initial recognition, the entity categorizes the financial liability as such reflected at fair value through profit or loss.
- *Financial liabilities determined at the fair amortised cost*

Financial liabilities not categorized as such recorded at fair value through profit or loss will be classified as such determined at the fair amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. ADDITIONAL PRESENTATION AND DISCLOSURE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS REQUIRED BY CIRCULAR NO. 210/2009/TT-BTC (continued)

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements:

	<i>Carrying amount</i>		<i>Fair value</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>	<i>Ending balance</i>	<i>Beginning balance</i>
Financial assets				
Financial assets at fair value through profit and loss				
- <i>Held for trading investments</i>				
Listed shares	81,394,005,674	22,896,233,364	75,017,062,848	12,200,156,712
Unlisted shares	121,931,579,502	126,140,759,502	80,371,028,302	84,313,298,302
- <i>Held-to-maturity investment</i>				
Short term deposit	1,751,700,000,000	633,800,000,000	1,751,700,000,000	633,800,000,000
Trade receivable and other receivables	661,651,188,264	1,737,048,197,344	(*)	(*)
Available for sales financial assets				
- <i>Available for sale securities</i>				
Fund certificates	103,068,131,371	102,887,591,371	(*)	(*)
Bonds	372,225,836,384	20,596,836,384	(*)	(*)
Cash and cash equivalents	42,502,976,893	40,186,246,531	42,502,976,893	40,186,246,531
Total	<u>3,134,473,718,088</u>	<u>2,683,555,864,496</u>		
Financial liabilities				
Loans and borrowings	110,000,000,000	210,000,000,000	(*)	(*)
Payables to securities transactions	688,781,849,995	216,946,754,347	(*)	(*)
Repurchase agreement of Government bonds	163,195,578,241	-	(*)	-
Accrued liabilities	21,299,762,275	8,983,907,375	21,251,912,275	8,983,907,375
Other short-term payable	12,142,372,098	106,471,205,999	(*)	(*)
Total	<u>995,419,562,609</u>	<u>542,401,867,721</u>		

(*) The fair value of these financial assets and liabilities cannot be determined because there is no specific guidance of fair value determination under the Vietnamese Accounting Standards and Accounting System.

**30. ADDITIONAL PRESENTATION AND DISCLOSURE OF FINANCIAL ASSETS
AND FINANCIAL LIABILITIES AS REQUIRED BY CIRCULAR NO. 210/2009/TT-BTC (continued)**

The fair value of the financial assets and liabilities are the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following method and assumption were used to estimate the fair values:

- ▶ Fair value of cash and short-term deposits approximates their carrying amounts largely due to the short-term maturities of these instruments.

31. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial statements.

OPERATIONS NETWORK



1. HEAD OFFICE

Level 5 & 6, AB Tower, 76 Le Lai,
District 1, Ho Chi Minh City
T: +84-8 3823 3299
F: +84-8 3823 3301

2. THAI VAN LUNG BRANCH

Level 1, Capital Place Building, 6 Thai Van Lung,
District 1, Ho Chi Minh City
T: +84-8 3823 2981
F: +84-8 3823 2982

3. TRAN HUNG DAO TRANSACTION OFFICE

Level 1 & 2, 569-571-573 Tran Hung Dao,
District 1, Ho Chi Minh City
T: +84-8 3836 4189
F: +84-8 3836 4198

4. CHO LON TRANSACTION OFFICE

633 Nguyen Trai,
District 5, Ho Chi Minh City
T: +84-8 3855 2907
F: +84-8 3855 2917



5. HA NOI MAIN OFFICE

66A Tran Hung Dao,
Hoan Kiem District, Ha Noi
T: +84-4 3933 4693
F: +84-4 3933 4822



6. KIM LIEN TRANSACTION OFFICE

Level 2, Building B14 Kim Lien,
Dong Da District, Ha Noi
T: +84-4 3574 5599
F: +84-4 3574 5959

