



# POSITIVE INFLUENCE



 HSC Annual Report 2013

# HSC PROFILE

## 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 Corporate Finance Division, HSC has established an exceptional track record of connecting businesses to investors and creating long-term partnerships.

HSC benefits from the synergy between two financial powerhouses in Vietnam, the Ho Chi Minh City Finance and Investment State-owned Company (HFIC) - founding shareholder, and Dragon Capital Group - a prestigious investment group in Vietnam - strategic shareholder.

Officially listed on the Ho Chi Minh Stock Exchange (HOSE) on May 2009 under the ticker HCM, as of December 31<sup>st</sup> 2013, HSC's shareholders' equity totaled VND 2,247 billion (approximately USD 106 million), making it one of the biggest securities companies in the country with a strong financial base and investment capacity.

HSC continuously hones its core competencies and fosters its human capital in Research, Technology to improve and develop new financial services, provide value-added products, and grow our scope of business based on clients' growing needs. We also emphasize building effective Corporate Governance for a sustainable growth. Over the 10-year period since founding HSC has affirmed its top position among securities firms in Vietnam by gaining the largest market share nationwide.

Alongside developing its business, HSC continuously aims to create positive values and be a positive influence on the industry and the society of Vietnam.



## Vision

To become one of the country's most admitted, trusted, and valued financial institutions, and be an active contributor to the economy and community of Vietnam.

## Mission

Being a leading securities company in the industry and Vietnam's capital markets with the standard for professionalism, innovation, financial health and sustainability.

## 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.

### Dedication

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

We constantly develop and adopt best practices; upgrade our expertise and processes to execute all transactions in the best interest of our valued clients.

Sustained by a series of stabilizing changes in the market, Vietnam's economy has shown steady signs of recovery over the last twelve months. In July, the Vietnam Asset Management Company (VAMC) began clearing NPLs, credit growth began to return, Vietnam recorded its second consecutive trade surplus and inflation remained low.

Amid this steadily improving environment, HSC celebrated its 10<sup>th</sup> Anniversary and has emerged with renewed impetus to be an agent of positive changes in both our industry and broader society. Internally, Corporate Governance has become a focal point as we seek to further bolster positive changes we made last year to manage risks. Externally we have sought new opportunities to impact positively on the society in which we operate, building a stronger, healthier environment for all.



HSC's 10-year Anniversary



We aim to create positive values and be a positive influence in everything we do.



Mr. Johan Nyvene - CEO of HSC, presenting sponsorship to LVEP

As a leading financial institution, we actively contribute to the development of the economic and social infrastructure in which we operate. We cannot envision ourselves growing in an environment with limited structures and limited resources. We endeavor to help nurture the structures and resources in this country so that there are more resources for us and for everyone else to utilize in the future.

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## MESSAGE FROM THE CEO

*Dear fellow shareholders, customers,  
and colleagues,*

We have emerged from yet another year of significant uncertainty, and as goes the old Asian saying, we have proven, that in crises there are still opportunities. When I used the pronoun “we”, I mean both HSC and Vietnam. For those who kept faith in the Vietnam stock market and saw the opportunities, the 22% return rate was one of the best returns of all stock markets in the world in 2013. For those investors who have held HSC’s shares (HCM - HOSE) from the beginning of 2013, the total shareholders’ return rate achieved was 51%. This total return rate included a 25% bonus share issuance, a VND 2,000 dividend per share, and price appreciation during the year (HCM started the year at VND 21,400 and ended the year at VND 24,500 after dilution).

After increasing 18% in 2012, the VN Index’s gain in 2013 continued to reward shrewd investors who saw the opportunities. However, as in any situation of uncertainty, Vietnam’s stock market’s attractive returns were not without risks. The country’s economy grew at 5.42% in 2013, a relatively modest growth rate for Vietnam which was averaging some 7.5% for the ten-year boom period before 2008. While we forecast that GDP (Gross Domestic Product) growth may reach 6.3% in 2014, there are still risks in a “slow and steady” but cautious growth scenario as reflected in a limited credit growth rate and modestly improving indicators of industrial production. Given the uncertainty of Vietnam’s banking system’s problems, the uncertainty over the country’s economic recovery was inevitable and understandable, and this was reflected in the stock market’s behavior throughout 2013. Following a similar pattern that made it a three-consecutive-year trend, the VN Index (HOSE) appreciated 15% in the first 4 months of the year, then fluctuated from April to October, but went flat until January of this year. At the writing of this annual report at end of February, the VN Index has already increased by 16 % in 2014.

### POSITIVE VALUES

#### Recognitions

We achieved a number of new milestones in 2013. In April, as HSC commemorated its tenth anniversary, we received recognition of distinction from the State Securities Commission (SSC) as well as from the Ho Chi Minh City

Government. The recognition was a huge honor and an opportunity for us. Although in my speech at the commemoration ceremony I acknowledged that ten-year was too short of a period for us to judge the existence and excellence of a company, many guests in the audience kindly reminded me that only six years ago, HSC was not even in the top ten in our industry.

After two consecutive years holding the top position and having the largest brokerage market share in the market, HSC was honored by the Hanoi Stock Exchange (HNX) as one of the six “Outstanding members of HNX in 2013”. Shortly following this recognition, we were also celebrated by the HOSE as one of the “Top 10 Securities Firms with the Largest Brokerage Market Shares on HOSE in 2013”. In early 2014, the HNX also named HSC one of the “Top 10 Government Bond Traders in 2013” in both the primary market and the secondary market in Vietnam. At the same time, HSC was officially listed as one of the 25 primary market bidding members of 2014, approved by the Ministry of Finance.

Extending beyond the securities industry, HSC also received prestigious recognitions in 2013. In September, Forbes Vietnam named HSC as one of the “Top 50 Best Listed Companies in the country’s stock markets”. In October, the Ho Chi Minh City People’s Committee named HSC as one of the “Pre-eminent companies in Ho Chi Minh City in 2013”.

In the international arena, the Asset Triple A Country Awards named HSC the “Best Brokerage House in Vietnam”. This was the second year in a row we have received this prestigious award.

#### Our business

Despite the uncertainty in the business environment and the still risky market in 2013, once again we achieved outstanding results for the year and were one of the most profitable firms in the industry.

Following a clear strategy to secure a concrete top position in the brokerage business, we further expanded our market shares in Retail as well as Institutional customer segments. We commanded a combined 12.2% market share in both the Retail and Institutional segments, a growth of 17% year-on-year. The most notable gain was in the Institutional segment

## MESSAGE FROM THE CEO



“ Despite the uncertainty in the business environment and the still risky market in 2013, once again we achieved outstanding results for the year and were one of the most profitable firms in the industry. ”

where we had 32% of all foreign institutional investors’ trading value. Overall, trading value in the foreign institutional investor segment jumped from VND 67 trillion to VND 90.4 trillion (USD 4.3 billion) as frontier and emerging market investors searched for new investment environs to divert their risks from other emerging markets that were maturing. As the top broker in the market, we are one of very few firms who are market leader in both the Institutional and Retail sectors. As a matter of fact, we were likely the largest market share holder in both of these segments on both stock exchanges. This is a significant strength for us that translated into being a comprehensive brokerage firm with complementary distribution networks and this dual function gives us a steady flow of fee income: when one market slows down while the other becomes active. The competitiveness in the industry continued to be high and our added value in the brokerage service proved to be beyond just research capabilities and technological advancement. In 2013 there were major block deals (VNM, FPT, KDC, MSN) where sellers needed us to discretely find buyers and vice versa. There were transactions carried out with prices outside of the trading bands that needed our coordination with the authorities and the central depository. These private placement transactions earned us placement fees in addition to normal brokerage fees. There were also block transactions for unlisted equity (Sabeco) where we can warehouse positions for buyers so not to drive up market prices.

While interest rates dropped significantly during 2013, which carved into our interest income, we continued to use our strong capital base to support the growth of our brokerage business especially in the Retail segment. The market’s reactivation in late 2013, required us to increase our margin lending book from a low of VND 500 billion to a high of VND 1,000 billion (our current balance is nearly VND 1,500 billion as of this writing). Although we earned less interest income from a bigger loan portfolio in 2013, this was still one of the safest assets on our balance sheet with a very reasonable return rate. Going into 2014, we will continue to help mold and shape the margin lending products for the market, by recommending to the SSC best market practices and sharing practical experience in our management of the product. Going forward, we will aim to employ the concept of leverage in our margin product, in order to enhance the return rate of this asset class, and lower the capital burden to shareholders.

## MESSAGE FROM THE CEO (continued)

For 2013, equity investment gains made up 16% of our total revenue and 22% of our profit before tax. As it was a significant contribution to our bottom line we need to reassert that although we took the opportunities in a timely manner and managed the risks very prudently, principal investment will remain a non-core business function at HSC. This year, we will continue to take an opportunistic but limited approach in putting our shareholders' capital in the equity markets. At any given point during the year, we limited our investment portfolios to just 20% of our capital base. In 2013, our principal investment exposure reached an average outstanding of VND 314 billion. The effective return rate for this portfolio was 35% for 2013, compared to the VN Index's 22% appreciation. A significant portion of our equity investment gains in 2013 was in the investment of share certificates (VFMVF1, VFMVF4, PRUBF1, MAFFP1) as we saw the 15% - 25% discount against NAV in all of these funds, and the redemption timeline for these funds within 2013. This strategy turned out to be a safe bet during a window of a few months, and the profit taken in this portfolio contributed significantly to our equity investment portfolio as well as to our 2013 bottom line. We aim to redeem the remainder of our share certificates in Q1/2014 to contribute to 2014 profit.

Anticipating that market opportunities continue to prevail in 2014 and beyond in a recovering economic climate, we continue to project our revenue base and profit to include a reasonable level of contribution from equity investment gains.

### Our share price

With EPS of VND 2,241 per share (on an average of 126 million shares outstanding in 2013), our share price traded at about 11 times trailing earnings as at the end of 2013. In the first two months of 2014, our share price continued to show strength given its correlation to a much more active stock market and the anticipation of the authorities' decision to expand the foreign ownership limits in Vietnamese equity. Our projected forward P/E ratio during this time grew to 15 times. This market price also translated into a price-to-book ratio of 1.8. However, compared to peers, we have now achieved similar multiples and premiums in our share price after trailing them significantly in the past several years.

### Corporate Governance

**ERM (Enterprise Risk Management) and BPI (Business Process Improvement):** As mentioned in last year's annual report, our ERM project was initiated in late 2012 and completed in 2013. In addition to the establishment of

“ As a leading financial institution in Vietnam's developing market, we endeavor to actively and proactively contribute also to the development of the economic and social infrastructure in which we grow. ”

HSC's INSTITUTIONAL SEGMENT IN ALL FOREIGN INSTITUTIONAL INVESTOR'S TRADING VALUE 32%

USD 4.3 BIL

a formal Risk Management Division, we have also formed a Risk Management Committee and a separate Audit Committee, both at the Board of Directors level. Following the completion of this project, earlier this year we launched the BPI project and engaged the same Big Four advisor who assisted us in the ERM project.

**ISMS (Information Security Management System):** HSC has successfully finalized the ISMS project and officially been certified ISO/IEC 27001:2005. This project was a part of the initiatives started in 2012 to standardize and further strengthen our IT information security and to meet requirements in data Confidentiality, Integrity, and Availability. Besides achieving information security, ISMS readiness will better prepare HSC to further achieve business and operation continuity as we go to the next level of risk management formulation.

## POSITIVE INFLUENCE

As a leading financial institution in Vietnam's developing market, we endeavor to actively and proactively contribute also to the development of the economic and social infrastructure in which we grow. The reason is simple and practical. We cannot envision ourselves growing in an environment with limited structures and limited resources. We endeavor to help nurture the structures and resources in this country so that there are more resources for us and for everyone else to utilize in the future.

### To our industry

We are regarded as a leader and a pioneer in our industry and so we recognize our responsibility to channel knowledge and best practices to the industry. We go to the international market and bring back more advanced technology, products, and processes. We proactively assist the SSC, the two exchanges (HOSE and HNX), and the Vietnam Securities Depository (VSD), in adopting these new products, processes, and technology for the Vietnam market. In the last twelve months, we have been engaged by HOSE and HNX to help formulate the ETF (Exchange Traded Fund) product and market framework. We have been working with the VSD in structuring the Securities Borrowing and Lending mechanism and operational process. We have in the past and are currently assisting the SSC in improving the Margin Lending product. In the bond market, we have become a top non-bank primary market dealer and continue to actively participate as a board member of the Vietnam Bond Market Association (VBMA).

### To our society

Realizing that we operate in a young industry and in a young developing economy, we recognize the value of human capital and the critical concept of leadership development in Vietnam's social and corporate settings. While the young generations of Vietnamese citizens are full of entrepreneurs, we have from time to time been critiqued by the business world as well as by investors, that we lack high caliber managers.

We continue to set our focus on Vietnam's next generations of leaders. To help groom the country's next generation, we have used our experience, resources, and connections to provide young aspiring entrepreneurs and professionals with opportunities to get their first footprint in the real business world.

## MESSAGE FROM THE CEO (continued)

Alongside our effort to support Vietnam's younger generation and raise corporate responsibility awareness, together with Business Link Vietnam (Biz Link), HSC has organized workshops for students from universities in Ho Chi Minh City with the theme "From Corporate Culture to Career Development". Biz Link is a student-run and non-profit organization operating among universities in Ho Chi Minh City. With a vision to connect Vietnamese students with foreign business people, creating a healthy long-term learning environment where students can create their own career path with skills, knowledge, and a positive attitude, Biz Link has been highly successful in bringing opportunities for the students to approach the business environment.

We have decided to become a national partner to AIESEC Vietnam. AIESEC is the largest student-managed non-profit organization in the world which provides undergraduate and graduate students with soft skill training, career development initiatives, and internship opportunities, with leading corporate and institutions. Each year in Vietnam, AIESEC attracts the participation of hundreds of college students nationwide as well as some from other countries. In 2014, we will initiate the first training program for AIESEC with the theme "Effective team work - collective efforts". We will also organize sessions on developing soft skills and leadership skills.

We continue to commit to other programs that we have engaged ourselves in previous years, including the internship program for Sponsors for Educational Opportunities - Intern In Vietnam (SEO-IV) and assistance to the local universities in the form of scholarships to students in economics and finance related fields. Besides the annual engagements, we also participated in certain programs in the education environment when the opportunities arise. Such programs included Viet Youth Entrepreneurs (VYE) Bootcamp 2013: Light Up and the University of Foreign Trade's Career Fair 2013. One program I personally found particularly interesting was Living Values Education Program (LVEP) which touches upon and reminds trainees of universal human and social values. This is a philosophy I find intriguing in this developing social economic environment and especially in the context of our endeavor to contribute to the development of young people and the future generation.

In addition to helping mentor the future generation, we also assist other organizations and less fortunate fellow citizens on a need basis. Our efforts include charity programs for health related needs as well as disaster relief needs. Please find additional information on these programs in our Positive Impact on Society section.

## MESSAGE FROM THE CEO

(continued)

“ We learned and became confident that HSC is emerging as a market and industry leader in similar circumstances as other markets’ industry leaders have.”

### A POSITIVE SUSTAINABLE FUTURE

Although our vision for 2014 is still “impaired” by a number of factors, our belief for a positive sustainable future in Vietnam and in our capital markets is strong. While the VN Index has already appreciated by 16% Year to Date (YTD) by the end of February, we are still skeptical that it might be following the trend of the last three years. The sense of optimism and urgency is often overwrought at the beginning of the year and the realization of underlying market fundamentals sets in afterwards for much of the remainder of the year. Nonetheless, changes that have been expected for some time by the markets are believed to be imminent - “any time now”. The expansion of the foreign ownership limits, which was arguably one of the main factors driving up the liquidity and valuation in the market in late 2013 - early 2014, is coming. The pressure for large State-owned Enterprises (SOEs) to privatize is mounting and the Government has again reiterated their commitment to expedite the process urgently in 2014, this time with administrative threats to those who are unable to proceed with it.

At the recent annual securities market forum in Hanoi, the SSC reiterated their plan to merge the two exchanges in the country, to create a combined uniformed market by 2015. The two exchanges revealed their plan to launch options and futures products in the next 24 months. In 2014, both exchanges are prepared to launch the framework for ETF products and new features like securities borrowing and lending.

In October we attended the 18<sup>th</sup> Asia Securities Forum in Taipei and came back learning that the development of Vietnam’s stock market is on the right path, albeit a slow one. We learned that Vietnam’s market has tremendous potential to grow at a faster pace, given a growing economy and a competitive investment environment, for both direct as well as indirect investment. We learned that Vietnam’s securities industry is evolving through similar stages as other emerging markets have been through. We learned and became confident that HSC is emerging as a market and industry leader in similar circumstances as other markets’ industry leaders have.

With what we have learned from other markets, we have seen in Vietnam the formation of a gradually more sophisticated securities market. HSC has firmly anchored a leader position in this market as we continue to bring and share more sophisticated market best practices with all market participants. I look forward to the day when Vietnam hosts a regional securities market forum. It is probably not far away.



**Johan Nyvene**  
Chief Executive Officer



POSITIVE IMPACT ON

**BUSINESS**

## FINANCIAL HIGHLIGHTS

	2009	2010	2011	2012	2013
<b>Statement of income (VND mil)</b>					
Revenue (net)	409,868	354,538	397,041	472,898	<b>534,105</b>
<i>In which:</i>					
- Brokerage and sales (net)	91,736	109,171	63,590	101,244	<b>138,132</b>
- Principal investment (net)	216,514	(13,566)	(377)	18,164	<b>152,010</b>
- Private placement investment	-	39,986	-	-	<b>-</b>
- Corporate finance	3,039	4,576	25,422	12,950	<b>15,975</b>
- Margin income	43,296	153,015	163,306	220,016	<b>143,500</b>
- Interest income	55,283	61,355	145,100	120,524	<b>84,489</b>
Operating expenses	85,361	127,509	160,163	161,229	<b>159,383</b>
Provision/(reversal) for doubtful debts	(11,807)	(872)	(10)	4,825	<b>11</b>
Net profit from operating activities	336,314	227,901	236,889	306,844	<b>374,711</b>
Other profit	-	-	-	-	<b>718</b>
Profit before tax	336,314	227,901	236,889	306,844	<b>375,428</b>
Profit after tax	278,120	182,312	194,420	246,381	<b>282,174</b>
<b>Balance sheet (VND mil)</b>					
Total assets	2,089,537	2,524,979	2,628,208	3,198,935	<b>3,127,781</b>
Charter Capital	394,634	599,997	998,486	1,008,486	<b>1,272,568</b>
Shareholders' equity	1,538,496	1,589,171	2,028,968	2,162,514	<b>2,247,348</b>
<b>Financial indicators</b>					
Return on average assets (ROAA)	15.6%	7.9%	7.5%	8.5%	<b>8.9%</b>
Return on average equity (ROAE)	19.5%	11.7%	10.7%	11.8%	<b>12.8%</b>
<b>Equity's value</b>					
Outstanding shares	39,398,772	59,841,941	99,617,517	100,565,957	<b>127,249,720</b>
Basic earning per share - VND	3,763	2,435	2,336	1,979	<b>2,241</b>
Book value per common share - VND	39,049	26,556	20,368	21,503	<b>17,661</b>
Dividend - VND	2,000	1,700	1,600	2,000	<b>1,700</b>

(\*) Estimated for Y2013 and subject to final approval.

## FINANCIAL HIGHLIGHTS



# CORPORATE MILESTONES

Since being established in 2003, HSC's continuous growth in both capital and scale of business has made it one of the leading securities and financial services firms in Vietnam. Over the past 10 years, HSC has reached the top position with the largest market share nationwide.

## 2003

- Officially started operations after receiving Certificate of Business Registration No. 4103001573 from the Department of Planning and Investment of Ho Chi Minh City on April 23<sup>rd</sup> 2003 and Business License No. 11/GPHDKD from the SSC issued on April 29<sup>th</sup> 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.
- Headquarters and transaction office were transferred to Capital Place Building, 6 Thai Van Lung Street, District 1, HCMC.

## 2007

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

## 2008

- Further increased charter capital to VND 395 billion.
- Launched the Call Center PBX support system and VI-Trade system that enable trading via Internet.
- Established Hau Giang transaction office in HCMC.

## 2009

- Officially listed on the HOSE under 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 four transaction offices: Tran Hung Dao, 3 Thang 2 in HCMC and Ba Trieu, Kim Lien in Hanoi.
- Renamed and relocated Hau Giang transaction office to 3 Thang 2 transaction office in HCMC.
- Recognized as the No.1 Securities firm in Equity Research in Vietnam and one of the Top 20 leading securities firms in Asia - 2010
- Extel Awards by Thomson Reuters.
- Received "Platinum Award" as the best award in Financial - Capital markets at international Annual Report competition LACP 2009 Vision Awards.
- 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, HCMC.
- Closed 3 Thang 2 transaction office in HCMC.
- Voted "Best Brokerage Firm in Equity Research in Vietnam" and ranked 14<sup>th</sup> in Asia by Institutional Investor magazine.
- Voted "Best Local Brokerage in Vietnam 2011", Best Analyst in Vietnam together with 15 other major accolades by Asiamoney magazine.
- Voted "Rising Star Domestic Investment Bank in Vietnam" - The Country Awards 2011 by The Asset magazine, marking the development of investment banking activities in HSC.
- Received "Gold Award" in Financial - Capital markets at international Annual Report competition LACP 2010 Vision Awards.
- 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.
- Being 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 HCMC, 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 "Best Brokerage House in Vietnam" - The Country Awards 2012 by FinanceAsia magazine, and Triple A Country Awards 2012 by The Asset.
- Voted "Best Local Brokerage in Vietnam 2012" together with 21 other major accolades by Asiamoney magazine.
- Received "Platinum Award" as the best award in Financial - Capital markets and 6 other accolades at international Annual Report competition LACP Vision Awards 2011.
- 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 Mergers & Acquisitions (M&A) advisory firm of the year 2011 - 2012" at M&A Forum Vietnam.
- Ranked No.1 in the brokerage market share in Vietnam.

## 2013

- Increased charter capital to over VND 1,273 billion.
- Celebrated the 10<sup>th</sup> Anniversary with "Positive value and influence" orientation.
- Voted "The Best Brokerage House in Vietnam 2013" - Triple A Country Awards 2013 by The Asset magazine.
- Honored in Top 50 Listed Companies in Vietnam by Forbes.
- Recognized as Outstanding securities company in 2013, awarded by HNX.
- Honored in Top 10 Government Bond Trading Members in 2013 by HNX.
- Received "Gold Award" for "Written text" category and 2 other accolades in Financial Services category in Annual Report Competition (ARC) 2012.
- Received "Silver Award" in Financial - Capital markets and 3 other accolades at international Annual Report competition LACP 2012 Vision Awards.
- Honored "Community with excellent performance" by SSC and Ho Chi Minh City People's Committee.
- Certified ISO/IEC 27001:2005 standard for "Providing online trading and brokerage services" by TUV Rheinland (Germany).
- Ranked No.1 in the brokerage market share in Vietnam.

# REVIEW OF OPERATIONS

## BUSINESS OVERVIEW

The average trading value on Vietnam's stock market in 2013 reached VND 1,400 billion per day, 8% higher than that of VND 1,300 billion in 2012.

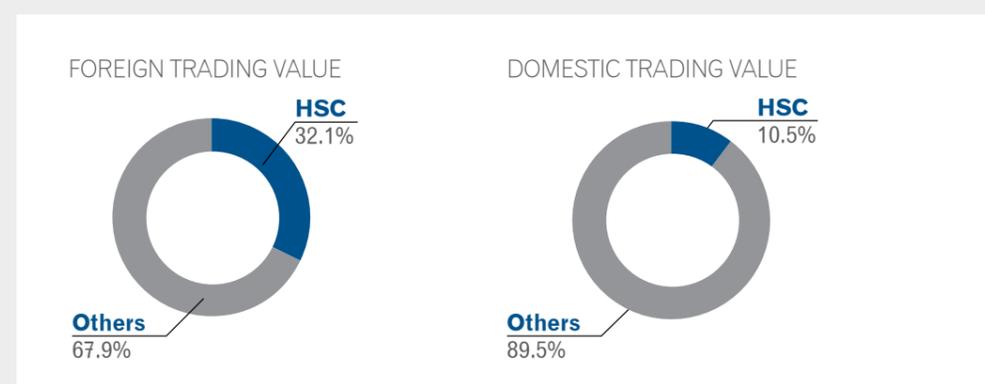
HSC continues to hold the top position in the market over the past two consecutive years as our brokerage market share increased from 10.4% in 2012 to 12.2% in 2013; of which, HSC's market shares increased from 11.8% to 13.3% on HOSE and 8.4% to 9.2% on HNX.

The market share of Private Client Division grew from 7% to 7.5% and that of the Institutional Client Division rose from 3.2% to 4.5% in the year 2013.

HSC MARKET SHARE 2010 - 2013



In terms of total trading value made by foreign investors and domestic investors, our market shares were 32.1% and 10.5% respectively.



Although actual trading value in 2013 was lower than our plan of VND 1,500 billion, the stock market made a positive development when the indices on both exchanges accelerated which enhanced investor's confidence and supported their participation.

# REVIEW OF OPERATIONS

## FY2013 FINANCIAL SNAPSHOT

HSC snapshot	FY2011	FY2012	% Change	FY2013	% Change	Plan 2013	% actual/plan 2013
<b>Statement of income (VND mil)</b>							
<b>Revenues</b>	480,491	562,372	17%	<b>634,760</b>	13%	567,282	112%
Brokerage and sales	90,904	145,027	60%	<b>199,104</b>	37%	173,433	115%
Securities investment	30,345	29,807	-2%	<b>152,919</b>	413%	131,094	117%
Corporate finance	27,943	12,772	-54%	<b>16,399</b>	28%	20,000	82%
Margin income & interest income	331,225	370,118	12%	<b>259,701</b>	-30%	241,755	107%
Other revenue	74	4,648	6,181%	<b>6,637</b>	43%	1,000	664%
<b>Operating expenses</b>	242,972	255,685	5%	<b>260,049</b>	2%	250,939	104%
Net operating profit	237,519	306,686	29%	<b>374,711</b>	22%	316,343	118%
Other profit/(loss)	(630)	158	-125%	<b>718</b>	355%	-	
<b>Profit before tax</b>	236,889	306,844	30%	<b>375,428</b>	22%	316,343	119%
<b>Net profit after tax</b>	194,420	246,381	27%	<b>282,174</b>	15%	237,257	119%
<b>Balance sheet at year end (VND mil)</b>							
Total assets	2,628,208	3,198,935	22%	<b>3,127,781</b>	-2%	3,352,111	93%
Shareholders' equity	2,028,968	2,162,514	7%	<b>2,247,348</b>	4%	2,281,143	99%
<b>Financial indicators</b>							
Total expenses/Total fee income	204.3%	157.4%		<b>117.1%</b>		129.1%	
ROAA	7.5%	8.5%		<b>8.9%</b>		7.7%	
ROAE	10.7%	11.8%		<b>12.8%</b>		10.7%	
<b>Equity's value</b>							
Number of shares	99,617,517	100,565,957	1%	<b>127,249,720</b>	27%	100,565,957	127%
Earning per share - VND	2,336	1,979	-15%	<b>2,241</b>	13%	2,359	95%
Book value per common share - VND	20,368	21,503	6%	<b>17,661</b>	-18%	22,683	78%
Dividends - VND	1,600	2,000	25%	<b>1,700 (*)</b>	-15%	N/A	N/A
Market price at balance sheet date - VND	14,000	21,600	54%	<b>24,500</b>	13%	N/A	N/A
P/E	6.0	10.9	82%	<b>10.9</b>	0%	N/A	N/A
P/B	0.7	1.0	46%	<b>1.4</b>	38%	N/A	N/A
Market capital - VND mil	1,394,645	2,172,225	56%	<b>3,117,618</b>	44%	N/A	N/A
Total shareholder return		69%		<b>51%</b>			

(\*): Estimated for Y2013 and subject to final approval.

# REVIEW OF OPERATIONS

(continued)

## FY2013 RESULT SUMMARY

Total revenues of HSC in 2013 were VND 635 billion, 13% higher than 2012 and achieved 112% of the year's target.

In FY2013, given the Government's priority of macroeconomic stabilization, the deposit interest rate continued its downward trend leading to lower margin rates, and HSC's revenue from margin trading and deposit rates reduced accordingly. However, these revenues were still the highest incomes, amounting to VND 260 billion and represented for 41% of HSC's total revenue.

Revenues from brokerage were VND 199 billion, grown by 37% y/y, the highest revenue among peer companies, reflecting an increase in market trading value combined with our leading position in the market. Revenue from fees (including brokerage fee, services fee and corporate finance advisory fee) almost covered the operating expenses in 2013 and higher than that of 70% in 2012.

Revenues from equity investment reached VND 153 billion, increased fourfold compared with 2012. HSC has well captured opportunities to invest on listed shares during the market's activity, and especially one which was allocated to fund certificates at the purchased price at 25% lower than their net asset value (NAV).

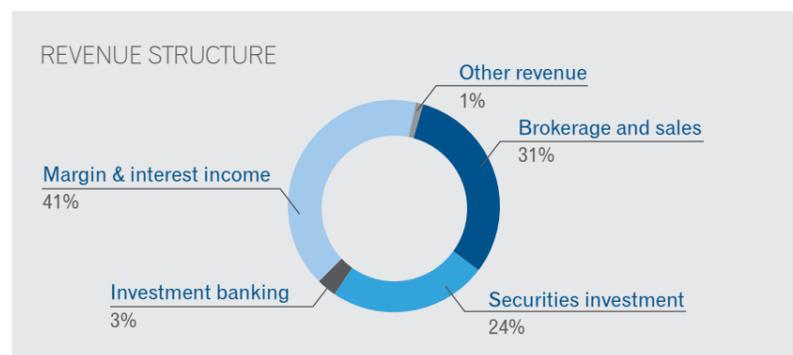
Operating expenses in 2013 were well under control, expanding by 2% y/y while much lower compared with the revenue growth of 13%.

Corporate income tax rate in 2013 increased from 20% to 25% due to the termination of a tax preferential period after 10 years of operation, which impacted to HSC's profit after tax.

Profit after tax reached VND 282 billion, increased by 15% y/y and 19% higher than target of 2013.

ROAE achieved at 12.8%, the highest among peer companies, showing the efficiency in generating profits from shareholders' equity.

EPS was at VND 2,241 compared with VND 1,979 in 2012 after increasing the charter capital by issuing bonus shares with ratio of 25% at the end of 2013.



## FY2013 KEY ACHIEVEMENTS

**The brokerage market share continued expanding to 12.2%**, ranked number one in the market in two consecutive years.

HSC shifted to approve a business plan which allocated capital into slightly higher-risk activities, but still well under control by the risk management system established and functioned effectively from previous years. HSC extended its margin trading limits as well as its listed shares and treasury certificates portfolio to improve profit and to cover for a reduction in deposit income.

HCM's Total Shareholders' Return Rate (TSR) achieved was at 51% in 2013 including cash dividend received, bonus shares, and price appreciation during the year. This made HCM share a valuable investment when average interest rate for 2013 was only 7.5% pa.

Highlights on improvement of the Corporate Governance system and Information Technology (IT) system:

- Success of the ISMS project and achievement of ISO/ IEC 27001:2005 standard for "Online trading and securities brokerage service";
- Establishment of Board Risk Management Committee under the Board of Directors allowing HSC to carefully monitor various risks at different stages.

Moving forward, we plan to launch the ITIL protocol (Information Technology Infrastructure Library) and B.C.P protocol (Business Continuity Plan) to improve capability of the IT management and to ensure the system would not be interrupted during occurring break-downs.

The BPI project between HSC and an international consulting firm has been executed since Q4/2013 to improve and enhance HSC's operational efficiency.

# REVIEW OF OPERATIONS

(continued)

## DIVISIONAL PERFORMANCE ANALYSIS

### PRIVATE CLIENT DIVISION

Private Client Division (VND mil)	FY2011	FY2012	% change	FY2013	% change
<b>Total revenues</b>	178,854	272,076	52%	<b>263,383</b>	-3%
Brokerage	57,335	103,057	80%	<b>108,252</b>	5%
Margin income	120,386	165,217	37%	<b>151,076</b>	-9%
Subtotal	177,720	268,274	51%	<b>259,328</b>	-3%
Other income	1,133	3,803	236%	<b>4,055</b>	7%
Direct expense	82,242	102,459	25%	<b>94,707</b>	-8%
Indirect expense	34,083	37,611	10%	<b>38,824</b>	3%
<b>Total expenses</b>	116,325	140,070	20%	<b>133,531</b>	-5%
Pretax profit	62,529	132,006	111%	<b>129,853</b>	-2%
<b>Total revenues</b>	100%	100%		<b>100%</b>	
Brokerage	32.1%	37.9%		<b>41.1%</b>	
Margin income	67.3%	60.7%		<b>57.4%</b>	
Direct expense	46.0%	37.7%		<b>36.0%</b>	
Indirect expense	19.1%	13.8%		<b>14.7%</b>	
<b>Total expenses</b>	65.0%	51.5%		<b>50.7%</b>	
Pretax profit margin	35%	49%		<b>49%</b>	
<b>Total HSC revenue</b>	480,593	562,674		<b>635,477</b>	
<b>% of total revenues</b>	37.2%	48.4%		<b>41.4%</b>	

Revenues from Private Client Division reached VND 263 billion, accounted for 41% of total revenue, playing its role as HSC's core business line.

Revenues from Private Client Division in FY2013 decreased by 3% y/y mainly due to a 9% drop in margin trading revenue while revenues from brokerage fee increased by 5% at the same time.

Revenues from brokerage fee increased due to:

- Retail brokerage market share increased from 7.0% in 2012 to 7.5% in 2013;
- More flexible settlement facilitation products;
- Online trading system with new features;

- Consultant team capability greatly enhanced;
- Customers shifted to larger brokerage firms with better services.

Along with original transaction offices which maintained stable market shares and efficient operation, Cho Lon transaction office, consolidated from Cho Lon Securities JSC since mid-2012, has rapidly sped up and reached 1% of total market share in 2013, a comparable level with other transaction offices.

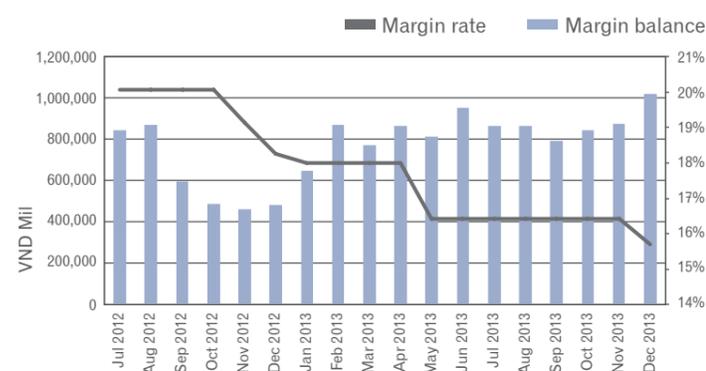
In 2013, all transaction offices made profit. The Expense to Income ratios (CIR) of all the transaction offices were well below 100% showing that the income from brokerage fee were able to cover their direct expenses.

## REVIEW OF OPERATIONS (continued)

Revenues from margin trading in 2013 dropped 9% y/y, mainly due to:

- Average margin rate decreased from 21% pa to 17% pa in line with the lower market deposit rate. Though HSC is leading the margin rate in the market, the competition from peer companies partly affected the margin rate as well as the number of customers using our margin trading service;

MARGIN TRADING - PRIVATE CLIENT DIVISION



- Although the average margin balance of Private Client Division increased 12% compared to 2012 but the expected average balance was not achieved. As a result of HSC's strict compliance with the laws and regulations on margin trading and list of margin trading stocks allowed by SSC of Vietnam, the margin trading activity could not achieve the target despite a solid capacity of our capital.

The operating expenses of the Private Client Division in 2013 dropped 5% y/y mainly due to lower direct expenses. Direct expenses include salary expense, commission expense, office rental expense, depreciation expense, IT expense and other outside service expenses.

Direct expenses in 2013 were lower than 2012 due to:

- Closing a transaction office in the North to reduce operating expenses;
- Majority of fixed assets were fully depreciated in 2012 while new purchases were not significant.

### INSTITUTIONAL CLIENT DIVISION

Institutional Client Division (VND mil)	FY2011	FY2012	% change	FY2013	% change
<b>Total revenues</b>	51,645	61,984	20%	<b>121,847</b>	97%
Brokerage	32,264	40,732	26%	<b>90,509</b>	122%
Margin income	11,207	12,207	9%	<b>4,745</b>	-61%
Income from using capital	4,877	4,270	-12%	<b>23,638</b>	454%
Advisory fee	2,926	3,406	16%	<b>1,892</b>	-44%
Other services	371	1,369	269%	<b>1,063</b>	-22%
Direct expense	35,292	35,965	2%	<b>55,886</b>	55%
Indirect expense	7,913	8,392	6%	<b>9,258</b>	10%
<b>Total expenses</b>	43,205	44,357	3%	<b>65,144</b>	47%
Pretax profit	8,440	17,626	109%	<b>56,703</b>	222%
<b>Total revenues</b>	100%	100%		<b>100%</b>	
Brokerage	62.5%	65.7%		<b>74.3%</b>	
Margin income	21.7%	19.7%		<b>3.9%</b>	
Income from using capital	9.4%	6.9%		<b>19.4%</b>	
Advisory fee	5.7%	5.5%		<b>1.6%</b>	
Other services	0.7%	2.2%		<b>0.9%</b>	

## REVIEW OF OPERATIONS (continued)

Institutional Client Division (VND mil)	FY2011	FY2012	% change	FY2013	% change
Direct expense	68.3%	58.0%		<b>45.9%</b>	
Indirect expense	15.3%	13.5%		<b>7.6%</b>	
<b>Total expenses</b>	83.7%	71.6%		<b>53.5%</b>	
Pretax profit margin	16%	28%		<b>47%</b>	
<b>Total HSC revenue</b>	480,593	562,674		<b>635,477</b>	
<b>% of total revenues</b>	10.7%	11.0%		<b>19.2%</b>	

Revenue of Institutional Client Division has grown substantially in the last few years. Its revenues in 2013 of VND 122 billion doubled from 2012 and contributed over 19% to HSC's revenues.

Revenues from brokerage fees reached VND 90 billion, contributed to 74% divisional revenues and increased by 122% compared to 2012 driven by a combination of market share gains and a slight increase in trading activities by foreign institutions:

- Foreign trading value of total market trading value increased from 10% in 2012 to 13% in 2013 and foreigners were net buyers in the market;
- Foreign brokerage market share increased from 24.6% in 2012 to 32.1% in 2013 over the total foreign trading market share in the market;
- Revenues from off-band transactions and private placement transactions for foreign trading related to VNM, FPT, KDC, MSN, contributed a significant amount to our fee revenues in 2013;
- Revenues from customers introduced by offshore brokers also contributed to our total revenues. The customers' trading value and volume had good growth in 2013, accounting for 14% of total institutional trading value (from 2% in 2012). The commissions for offshore brokers were recorded in 2013 direct operating expenses;
- Bond brokerage activities while being modest in 2012, contributed more to brokerage revenues in 2013. As HSC

is one of the few brokerage companies participating in the primary market, this contributes to value of bond brokerage transactions in the secondary market in 2013. HSC's target is to increase its revenues by expanding the bond trading client list in both primary and secondary markets.

Revenues from margin trading by Institutional Client Division decreased 61% in 2013 as fewer investors employed the service to accumulate treasury shares as they did in 2012. The margin balance decreased by 52% from VND 59 billion in 2012 to VND 28 billion in 2013 while average margin rate dropped to 17% as mentioned above.

Revenues from using capital were driven by spreads between accumulation prices and selling prices to institutional investors. Average capital of this investment portfolio was VND 25 billion with an average return rate of 89% pa. This is a value-added service that supports institutional investors in accumulating large blocks of stock and HSC will continue to provide this product in the future.

Given a growing demand for better services from foreign institutions, we put a lot of focus on developing a stronger and more capable brokerage and research team.

On the other hand, investment on IT since late 2012, for example FIX protocol order system (Financial Information Exchange), O.M.G.E.O system and most recent the S.W.I.F.T (Society for Worldwide Interbank Financial Telecommunication) has greatly enhanced our efficiency, bringing success in large put-through deals and gaining trust and confidence from institutional clients in using HSC services.

## REVIEW OF OPERATIONS (continued)

### CORPORATE FINANCE DIVISION

Corporate Finance Division (VND mil)	FY2011	FY2012	% change	FY2013	% change
<b>Total revenues</b>	25,455	9,577	-62%	<b>22,556</b>	136%
Advisory fee	25,317	9,577	-62%	<b>16,971</b>	77%
Mezzanine financing	-	-		<b>5,585</b>	
Other income	138	-		-	
Direct expense	12,120	8,534	-30%	<b>10,790</b>	26%
Indirect expense	5,041	4,636	-8%	<b>4,914</b>	6%
<b>Total expenses</b>	17,161	13,170	-23%	<b>15,705</b>	19%
Pretax profit	8,294	(3,593)	-143%	<b>6,852</b>	-291%
<b>Total revenues</b>	100%	100%		<b>100%</b>	
Advisory fee	99.5%	100.0%		<b>75.2%</b>	
Mezzanine financing	0.0%	0.0%		<b>24.8%</b>	
Other income	0.5%	0.0%		<b>0.0%</b>	
Direct expense	47.6%	89.1%		<b>47.8%</b>	
Indirect expense	19.8%	48.4%		<b>21.8%</b>	
<b>Total expenses</b>	67.4%	137.5%		<b>69.6%</b>	
Pretax profit margin	33%	-38%		<b>30%</b>	
<b>Total HSC revenue</b>	480,593	562,674		<b>635,477</b>	
% of total revenues	5.3%	1.7%		<b>3.5%</b>	

Corporate Finance Division in 2013 achieved good results with total revenues reaching VND 23 billion, 136% higher than the year before, mainly from advisory fees and income from mezzanine financing activities.

Revenues from advisory fees in 2013 were at VND 17 billion, mainly from fees in rendering M&A services for Euvipharm pharmaceutical firm and equity underwriting service for FECON, the balance came from valuation, Initial Public Offering (IPO) and listing advisory services.

Revenues from mezzanine financing activities in 2013 were at VND 5 billion and the average capital use was VND 31 billion at a return rate of 18% pa.

Direct expenses in 2013 increased by 26% compared to 2012 driven by commission paid to third-party for their customer referral while other operating expenses remained flat.

Listing and IPO in 2013 did not pick up due to broader economic difficulties and it might take some time to recover, despite the Government's effort to simplify IPO procedures. The listed market was trading on low valuations, hence when it was taken as reference to value the equity of SOEs, the outcome price was low. This delayed the IPO schedule of some large SOEs in 2013.

There were some large M&A deals in 2013 made by foreign partners. Strategic investors still actively sought investment opportunities in Vietnam however the domestic firms' performance still suffered from the economy's slow recovery, making it difficult to evaluate and identify the risks involved in a possible M&A deal.

## REVIEW OF OPERATIONS (continued)

### EQUITY INVESTMENT FUNCTION

Equity Investment (VND mil)	FY2011	FY2012	% change	FY2013	% change
<b>Total revenues</b>	8,078	22,275	176%	<b>84,944</b>	281%
Income from equity investment	7,911	22,274	182%	<b>84,944</b>	281%
Other income	167	1		-	-100%
Direct expense	13,495	10,856	-20%	<b>2,309</b>	-79%
Indirect expense	1,954	1,138	-42%	<b>1,229</b>	8%
<b>Total expenses</b>	15,449	11,994	-22%	<b>3,539</b>	-70%
Pretax profit	(7,372)	10,281	-239%	<b>81,405</b>	692%
<b>Total revenues</b>	100%	100%		<b>100%</b>	
Income from equity investment	97.9%	100.0%		<b>100.0%</b>	
Other income	2.1%	0.0%		<b>0.0%</b>	
Direct expense	167.1%	48.7%		<b>2.7%</b>	
Indirect expense	24.2%	5.1%		<b>1.4%</b>	
<b>Total expenses</b>	191.3%	53.8%		<b>4.2%</b>	
Pretax profit margin	-91.3%	46.2%		<b>95.8%</b>	
<b>Total HSC revenue</b>	480,593	562,674		<b>635,477</b>	
% of total revenues	1.7%	4.0%		<b>13.4%</b>	

Given signs of market recovery in 2013 and following the Management Team's policy to increase investment in listed equity, revenues from equity investment achieved VND 85 billion, three times higher than that of 2012 and contributed over 13% to HSC's revenues.

HSC's equity investment activities include investment in OTC shares (the remaining portfolio since 2007) and listed shares portfolio.

- Investment in OTC shares: Main revenues came from dividends which were insignificant against the average capital of VND 80 billion;
- Investment in listed shares and fund certificates: Average portfolio size was at VND 294 billion and the return rate of 28% pa. This proved the investment efficiency of the investment decisions made during the year compared with the growth of VN Index in 2013:

» Investment in fund certificates was the largest portion of our listed shares portfolio in 2013 with an average investment size of VND 251 billion. During the year HSC

only realized a certain part of the certificate of funds at an average return of 22% pa. At the end of 2013, HSC still held a balance of VND 165 billion of fund certificates with estimated unrealized gains of VND 57 billion. When including these unrealized capital gains, average return rate of fund certificates would be 45% pa;

» The remaining listed shares portfolio was allocated to listed stocks with an average investment size of VND 43 billion and an average return rate of 67% pa.

Operating expenses for the Equity Investment Department mainly included cost on securities trading, provisions for stock impairment and staff costs. According to regulations, gains (selling price higher than purchased price) on securities investment and trading are recognized in revenue from securities investment, while losses (selling price is lower than purchased price) are recognized in securities investment expenses. Operating expenses in 2013 dropped significantly due to a reduction in loss on securities trading and a lower provision on stock impairment while staff expenses remained stable over the last three years.

## REVIEW OF OPERATIONS (continued)

A prudent yet flexible strategy on equity investment decision helped the Equity Investment Department to perform well in 2013. Going forward, Equity Investment is expected to substantially continue to contribute to our total profit by finding good investment opportunities on stock exchanges given an anticipated recovery of the economy as well as an improved stock market during 2014.

### TREASURY FUNCTION

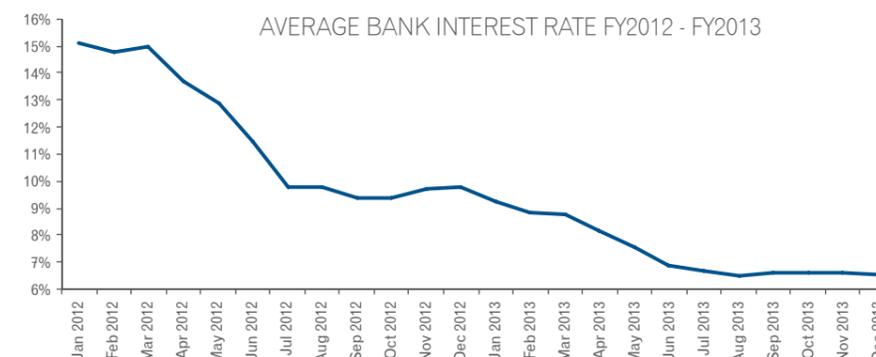
Treasury (VND mil)	FY2011	FY2012	% change	FY2013	% change
<b>Total revenues</b>	216,562	196,857	-9%	<b>142,120</b>	-28%
Interest income	168,264	138,976	-17%	<b>90,727</b>	-35%
Bond investment	17,558	5,383	-69%	<b>44,293</b>	723%
Bond repo	29,863	51,772	73%	<b>6,159</b>	-88%
Other income	877	726	-17%	<b>940</b>	29%
Direct expense	26,437	29,354	11%	<b>28,501</b>	-3%
Indirect expense	-	1,138		<b>1,229</b>	8%
<b>Total expenses</b>	26,437	30,492	15%	<b>29,730</b>	-2%
Pretax profit	190,124	166,365	-12%	<b>112,390</b>	-32%
<b>Total revenues</b>	100%	100%		<b>100%</b>	
Interest income	77.7%	70.6%		<b>63.8%</b>	
Bond investment	8.1%	2.7%		<b>31.2%</b>	
Bond repo	13.8%	26.3%		<b>4.3%</b>	
Other income	0.4%	0.4%		<b>0.7%</b>	
Direct expense	12.2%	14.9%		<b>20.1%</b>	
Indirect expense	0.0%	0.6%		<b>0.9%</b>	
<b>Total expenses</b>	12.2%	15.5%		<b>20.9%</b>	
Pretax profit margin	87.8%	84.5%		<b>79.1%</b>	
<b>Total HSC revenue</b>	480,593	562,674		<b>635,477</b>	
% of total revenues	45.1%	35.0%		<b>22.4%</b>	

Revenue from the Treasury Department in 2013 contributed over 22% of our total revenues, a ratio much lower than previous years. Revenues from bank deposits, bond investments and bond repos accounted for 64%, 31% and 4% of Treasury's revenue respectively.

Revenue from bank deposits decreased by 35% y/y, mainly due to the fact that average interest rates sharply dropped from 11.1% pa in 2012 to 7.5% pa in 2013, whereas HSC's cash balance in bank deposits was kept at VND 1,280 billion, relatively unchanged compared to 2012's level at VND 1,300 billion.

Revenues from bond investments in 2013 were VND 44 billion, 7 times higher than 2012 and mainly consisted of returns from holding Government bonds. Average capital investment of bond portfolio was VND 405 billion, which generated an average return rate of 10.9% pa, higher than that in 2012 with average capital investment of VND 52 billion and an average return rate of 10.3% pa.

## REVIEW OF OPERATIONS (continued)



Revenues from bond repos decreased by 88% as compared with 2012, mainly due to the termination of most repo contracts in late 2012 and early 2013 and HSC's policy on not encouraging the expansion of such activity due to lower repo rates. Average repo balance in 2013 was VND 48 billion at average bond repo rate of 11.8% pa, much lower than an average balance of VND 222 billion and an average bond repo rate of 17.7% pa in 2012.

### ASSET ALLOCATION

Asset Allocation (VND mil)	End of FY2012	End of FY2013	% change	End of FY2013
	Book value	Book value		Market value
<b>1 Cash</b>	1,794,203	<b>1,007,874</b>	-44%	<b>1,007,874</b>
<b>2 Short term investment</b>	152,323	<b>352,083</b>	131%	<b>410,419</b>
Listed shares	71,952	<b>273,757</b>	280%	<b>332,092</b>
Unlisted shares	80,371	<b>78,327</b>	-3%	<b>78,327</b>
<b>3 Accounts receivable</b>	638,584	<b>1,408,278</b>	121%	<b>1,408,278</b>
Repo agreements	86,729	<b>7,855</b>	-91%	<b>7,855</b>
Advances to investors	25,489	<b>62,964</b>	147%	<b>62,964</b>
Margin	510,853	<b>1,030,852</b>	102%	<b>1,030,852</b>
Other receivables	11,608	<b>300,346</b>	2,487%	<b>300,346</b>
Other short-term assets	3,905	<b>6,262</b>	60%	<b>6,262</b>
<b>4 Fixed asset</b>	11,911	<b>7,370</b>	-38%	<b>7,370</b>
<b>5 Long-term investment</b>	475,294	<b>229,371</b>	-52%	<b>245,122</b>
Bonds	372,226	<b>229,371</b>	-38%	<b>245,122</b>
Fund certificates	103,068	-	-100%	-
<b>6 Other long-term assets</b>	126,620	<b>122,805</b>	-3%	<b>122,805</b>
Long-term prepaid expenses	113,512	<b>107,738</b>	-5%	<b>107,738</b>
Other long-term assets	13,108	<b>15,067</b>	15%	<b>15,067</b>
<b>Total assets</b>	3,198,935	<b>3,127,781</b>	-2%	<b>3,201,868</b>

As at the end of 2013, HSC's total assets were mainly cash (32%), margin trading (33%), short-term investment (11%), long-term investment (7%) and other assets.

## REVIEW OF OPERATIONS (continued)

On a year-on-year basis, our cash balances decreased by 44% as more cash was used to finance margin trading and short-term investments.

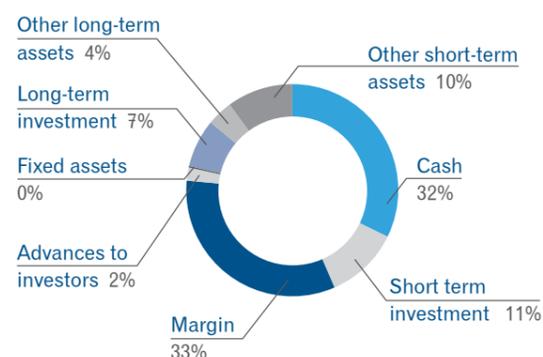
Short-term investments increased both in value and their proportion in total assets. At 2013 end, total value of short-term investments was VND 352 billion, including listed and unlisted shares.

Market value of the listed shares portfolio at the end of 2013 was VND 332 billion given a capital gain (selling price higher than accumulated price) of VND 58 billion was not yet recorded in the financial statements.

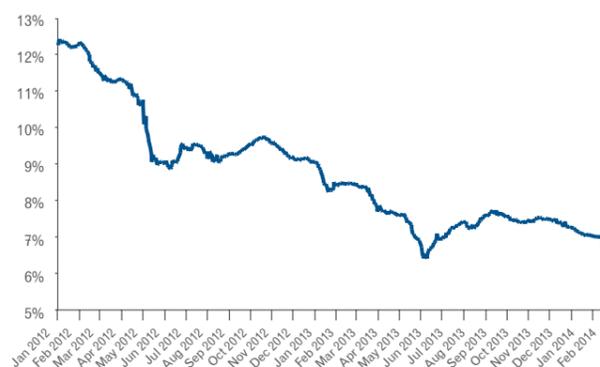
Margin trading balance and advances to investors at the end of 2013 were more than doubled the last year level, however average margin balance only increased by 8% y/y.

Long-term investments in Government bonds began in late 2012, expanded during mid-year 2013 and subsequently declined in later months of 2013 as bond yield was not as attractive as in the first half of the year. The ending balance of bond investments at the end of 2013 was VND 230 billion, and accounted for 7% of total assets.

ASSET ALLOCATION AS AT END OF FY2013



AVERAGE GOVERNMENT BOND YIELD FY2012 - FY2013



## PEER COMPARISON

Financial indicators	FY2013											
	Revenues (VND mil)	Net profit (VND mil)	Price (VND)	EPS (VND)	P/E	P/B	BVPS (VND)	ROAA	ROAE	GPM	NPM	Financial safety ratio (*)
SSI	805,712	351,857	18,000	995	18.1	1.3	14,120	4.7%	7.0%	43.7%	50.9%	308%
KLS	167,651	138,344	8,900	697	12.8	0.7	12,503	5.3%	5.5%	82.5%	27.0%	856%
VND	262,618	124,427	10,400	1,245	8.4	0.9	11,974	7.0%	10.8%	47.4%	49.8%	350%
ACBS	461,051	90,053		600			11,100	2.5%	5.4%	19.5%	78.0%	N/A
FPTS	180,640	88,804		1,211			15,936	5.4%	7.9%	49.2%	34.9%	953%
BVS	207,355	85,700	11,400	1,187	9.6	0.7	16,781	5.2%	7.3%	41.3%	58.5%	494%
VCBS	245,989	71,134		1,016			13,375	4.5%	7.9%	28.9%	61.7%	261%
VCSC	398,819	61,733		1,550			13,396	2.8%	11.9%	15.5%	78.2%	210%
SHS	134,985	11,621	6,000	116	51.6	0.8	7,869	0.7%	1.5%	8.6%	90.5%	215%
<b>Total</b>	<b>2,864,820</b>	<b>1,023,673</b>										
Average	318,313	113,741	10,940	957	20.1	0.9	13,006	4.2%	7.2%	37.4%	54.9%	456%
HCM	634,760	282,174	24,500	2,241	10.9	1.4	17,661	8.9%	12.8%	44.5%	41.0%	950%

\* Equity safety ratios of SHS, VND, SSI, BVS, VCBS, VCSC and FPTS are as at June 30<sup>th</sup> 2013.

Source: HSC survey

## REVIEW OF OPERATIONS (continued)

Compared to peers, HSC was the leading firm in terms of several financial ratios such as EPS, ROAE, ROAA, market price and BVPS.

As at the end of 2013, HSC's financial safety ratio (liquid capital ratio) was 950%, substantially higher ratio compared to peers and was well above SSC's requirement level.

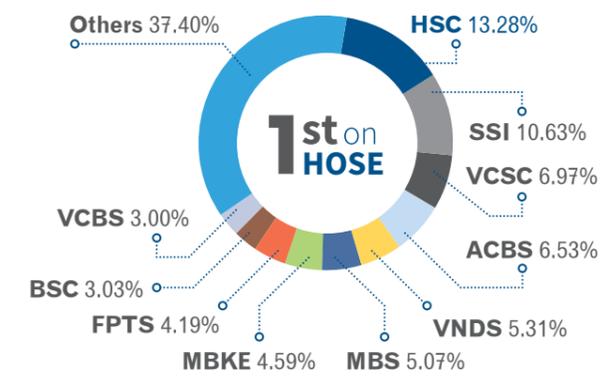
Key ratio	2009	2010	2011	2012	2013
<b>Operation Ratios</b>					
Quick ratio	3.7	2.5	6.1	2.8	<b>3.1</b>
Current assets turnover	0.4	0.2	0.2	0.2	<b>0.2</b>
Total assets turnover	0.3	0.2	0.2	0.2	<b>0.2</b>
<b>Leverage Ratios</b>					
Total Debt/Total Equity	0.4	0.6	0.3	0.5	<b>0.4</b>
Total Debt/Total Assets	0.3	0.4	0.2	0.3	<b>0.3</b>
<b>Profitability Ratios</b>					
Gross profit margin	73.3%	63.8%	67.4%	70.6%	<b>72.2%</b>
Net profit margin (NPM)	56.6%	38.7%	40.5%	43.8%	<b>44.5%</b>
ROAE	19.5%	11.7%	10.7%	11.8%	<b>12.8%</b>

## BROKERAGE MARKET SHARE IN 2013

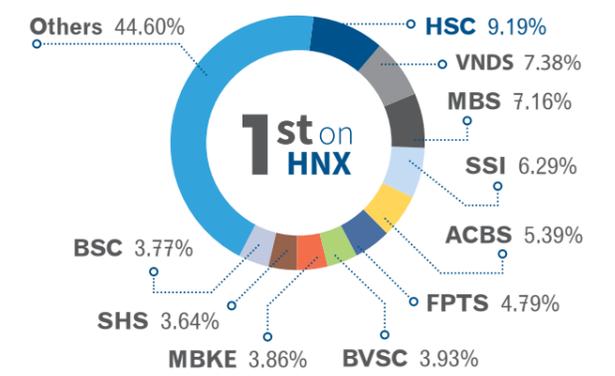
Market share	FY2013		FY2012		% increase 2013/2012
	Market share	Ranking	Market share	Ranking	
<b>Per Stock Exchange</b>					
HOSE	13.3%	1	11.8%	1	13%
HNX	9.2%	1	8.4%	1	9%
Total	12.2%	1	10.4%	1	17%
<b>Per Client Type</b>					
Institutional Clients	4.5%		3.2%	2	39%
Private Clients	7.5%	1	7.0%	1	7%
Prop-book	0.3%		0.2%		32%
Total HSC	12.2%	1	10.4%	1	17%
<b>Foreign market trading in Vietnam's market</b>					
HSC	32.1%		24.6%	2	30%



**POSITIVE IMPACT ON  
MARKET**



Source - HOSE



Source - HNX

# INSTITUTIONAL CLIENT DIVISION

## A good investment for shareholders

The Institutional Client Division has had an exceptionally good year, raising two times the projected revenue, a total of nearly VND 57 billion before cost of capital, which translated into a USD 3 million absolute contribution to HSC's total revenue in 2013.

Alongside this, we successfully increased HSC's market share from 3.2% to 4.5% and roughly executed 32% of all foreign transactions during the year.

## THE REASONS FOR OUR SUCCESS THIS YEAR ARE THREEFOLD:

1. Having identified a growing problem last year, the Institutional Client Division predicted that institutional investors seeking to invest in the Vietnamese market this year would have issues, because many companies had reached or were nearing their foreign ownership limits. To combat this, we chose to become more active in big-block dealing.

2. The Institutional Client Division facilitated two very large secondary placements of USD 70 million each, one of FPT and the other of VNM in cooperation with CLSA instead of executing solely agency orders, which contributed a significant amount to our fee revenues in 2013.

3. Finally, we improved our IT systems. We invested in upgrading our IT systems with the aim of providing a more efficient service. HSC is the only brokerage firm in Vietnam that can send trading confirmation/ allocation via OMGEO Central Trade Manager (OMGEO CTM), as well as receive clients' orders via Bloomberg FIX (Financial Information Exchange) connection and provide live fills. To ensure we are continually providing value-added products to our clients, we have also worked with the custodians to launch a SWIFT connection that will improve the order proceeding speed.

## Being a good employer

In terms of people and recruiting, the Institutional Client Division follows a strict policy of only employing the best people and we spend time and resources on seeking these people out, starting with outstanding graduates. The Institutional Client Division has close relations with universities so that ambitious graduates can get exposure in a leading financial institution early on in their careers.

Attracting the best requires an attractive environment and this is not solely based on financial remuneration. We aim to be a place in which people have pride and integrity in their work. Our staff are encouraged to acquire financial qualifications and this year two employees were awarded CFA Level 3. Furthermore, we develop a strong ethical sensibility, which we hope will guide our teams throughout their career and add value and integrity to our services.

It is not just personal responsibility that the Institutional Client Division has made a commitment to. In line with HSC's values, we are passionate in our commitment to fostering a culture of integrity for the industry as a whole. Reputation is paramount - it takes many years to earn the trust and respect of the industry and peers, and this should be protected. By doing so, HSC hopes to raise market standards and bring greater respectability and transparency to the industry.

Furthermore, the Institutional Client Division also complied with all the financial regulatory bodies and the SSC to ensure best practice, in line with HSC policy.

## Building relations

This year the Institutional Client Division actively sought to differentiate ourselves through offering superior corporate access. We are proud of our steady growth in visibility and foothold among both domestic and foreign investors, and this is thanks to our excellent business relationships. Conferences have become industry standard for maintaining corporate relations, however, having analyzed the real efficacy and value of hosting conferences, we found that a more consistent corporate access program would offer more meaningful results to our clients.

With this in mind, last year we initiated the Vietnam Corporate Access week, which took place every three months, in which we invited a group of clients to visit companies during over the course of a week. We gradually extended the program to cover all Hanoi and Ho Chi Minh City corporations. Being in a frontier market like Vietnam, we are aware that corporate access for clients is a high priority and important to our business. In hosting more regular corporate access weeks, with fewer clients, we have not only demonstrated our weight and respect in the industry, but we are facilitating a more valuable conversation between ourselves and our clients. In this way we feel we are making a real contribution to disseminating and sharing valuable market information, and developing a more informed and competitive industry.

If the heart of all successful business is good communication, the key success factor of the Private Client Division is SMART communication with both internal and external customers. In order to forge strong business relationships and create positive values for clients and peers to model, we regularly meet in person with our colleagues and counterparties to ensure needs are communicated in SMART language - Specific, Measurable, Achievable, Realistic and Time bound.

This extends to salary review and commission, which are continually under consideration to ensure the proper balance amongst shareholders, customers, HSC and our employees. This year, we revised our salary policies, introducing a better salary incentive; implementing the semi-annual performance appraisal that helps account executives, supervisors, and branch managers review their positions at middle years and make necessary adjustments for the second half. Multiple training programs were started including hard skills and soft skills for staff and supervisor, a coaching program for Branch managers was also begun and started to fruit.

To do this, we introduced an internal training department to identify the specific training needs of our team members, creating a bespoke development program for our employees. As a result this year alone the training numbers are:

Number of workshops/ training courses	32
Training hours	56
Participation	323

We know that this investment in training will continue to have benefits that extend way beyond the HSC office walls, and that many of the skills learned at HSC will continue to be used in their careers even at other securities companies in the future. Rather than seeing this as a loss, we see this as a contribution, one that HSC and the broader industry will continue to benefit from in years to come.

A commitment to the welfare of our staff produces good results. Although our headcount decreased 15% - from 357 at the end of 2012 to 304 at the end of 2013, the Private Client Division was still the largest income contributor to HSC's revenue, generating 41% of the total revenue in 2013. Training has made work efficiency increased by 12%, i.e. the generated earning from brokerage fee per headcount grew from VND 651 million/ USD 32,550 in 2012 to VND 730 million/ USD 36,500 in 2013.

# PRIVATE CLIENT DIVISION

Our customers matched trading value via Private Client Division increased 11%, from VND 48,423 billion/ USD 2.4 billion to VND 53,918 billion/ USD 2.7 billion and our average brokerage market share increased from 7.0% to 7.5%. Alongside this, brokerage fees increased 5% from VND 103 billion/ USD 5.2 million to VND 108 billion/ USD 5.4 million.

This coming year we will continue to further improve service quality:

- **For staff:** Enforcing and expanding the work that started last year which are training, coaching and introducing the consulting services.

- » The training in 2013 was mainly implemented to staff in the Southern offices; in 2014 we will apply to the staff in the North;

- » Coaching will not only apply to Branch Managers but also Supervisors;

- » We will introduce consulting programs where Branch Managers who complete their coaching sessions may use consulting service via mentors, thereby they can call or email his/her concerns to consultants/mentors and get answer promptly

- **For customers:**

- » Organizing in-house mini workshops to provide information about industries, listed companies at office level which we previously did at company level only;

- » Introducing a new internet trading platform to further improve online trading services;

- » Launching the BPI.

## CORPORATE FINANCE DIVISION

Despite a volatile few years for the industry, the Corporate Finance Division at HSC has continued to grow steadily and in 2013 we again generated profit for HSC with revenues coming from a wide range of services including M&A Advisory, Underwriting, IPO, investment advisory and mezzanine financing. Our success is thanks to our commitment to the belief that people are the key asset in our business. It starts with our clients - our business is by referral and so trust and reputation are fundamental to everything we do. If we serve our clients well, success will follow.

With this in mind, we have continued to focus on improvising our products to better serve the needs of our clients and improving our business processes to increase efficiency and service quality. In 2013, we adopted a new underwriting method and successfully completed a transaction which helped our client raise more than USD 10 million from the public amid poor market conditions. We also offered mezzanine financing to a client to help them take advantage of a new opportunity and unlock their potentials to prepare for future IPO. Our business process was also amended to improve transparency and interaction within our team. Innovative and intelligent responses to client needs have earned us respect and success in the industry. Such prestige is the ideal platform from which to champion best practice and act as positive agents in the business.

“ By this we place integrity and honesty at the heart of our business and we work hard to maintain our high ethical standards, to preserve the valued trust from our clients. ”

Part of our commitment to our clients is seen through the commitment to creating positive values by fostering our human capital. To ensure steady career development, we have introduced Balanced Score Cards and individual Key Performance Indicators, which translate into high expectations and business results. Further up the career ladder, we have placed greater emphasis on financial results, and a need to have a developed and growing business to justify promotion. The benefits of such a rigorous career development program are passed on to the client - they are working with teams that have proven track

records and the confidence and integrity to forge strong and fruitful business relationships.

To further support our staff in their career development, we have organized training courses, implemented job rotation as well as a mentoring program. In doing so, we are fostering an environment in which knowledge is shared and disseminated, both within teams and across our business divisions. As testament to our progressive talent development policies, many members of the Corporate Finance Division have stayed with HSC throughout the ups and downs of the financial market. We are honored to work with such a dedicated team, and we know this inspires unrivalled trust from our clients.

Adopting best practice with regards to our staff has earned us a solid foundation on which to grow and this can be seen in our results. For the past three challenging years of the market, our division has managed to stay active with M&A advisory, corporate finance works and state sector divestment activities, closing four significant M&A deals in different sectors including media, retail, and pharmaceuticals with buyers from all over the world.

This year, besides a USD 21 million M&A deal in pharmaceutical sector, we have performed remarkable success in underwriting and private placement activities with a USD 11 million transaction in construction sector and USD 21 million in real estate sector.

However, it is not just our local network we have sought to expand. We have pursued a more aggressive international strategy, and have actively reached out to foreign investors with the Valeant Pharmaceuticals International in Euvipharm Pharmaceuticals JSC's deal, CFR International SPA (Chile) in Domesco Pharmaceuticals JSC's deal, CJ CGV Co. Ltd in Megastar Company's deal and TD Mobile (Japan) in Vien Thong A's deal. These have had benefits not just for us and our clients, but for the industry as a whole. By actively pursuing foreign investment, we are contributing to a more robust financial industry in Vietnam.

The Corporate Finance Division is also working on a number of advisory services, aimed at bringing more state-owned companies to the market. Over the past year, our teams have been focusing on equitization planning services and IPO advisory, alongside financial restructuring and listing advisory. The motivations behind these activities lie in the belief that long-term strategies that develop a more stable and buoyant market, will reap dividends, not just for HSC and our clients, but for the economy in general and aid us in our vision to become one of the country's most admired, trusted, and valued financial institutions, and be an active contributor to the economy and community of Vietnam.

## SECURITIES SERVICES FUNCTION

The Securities Services Function offers account opening and management, custodian services to support trading activities of clients. We work closely with accounting, IT and operations to ensure that HSC is continually able to provide availability, capacity, continuity and security to its clients. The Securities Services Function is built on our ability to respond, adapt and adopt best industry practices and to ensure we have the best solutions to trading-related issues.

To this end, over the past years, the Securities Services Function has standardized all internal operational procedures. We have laid down best practice procedures for our back office divisions and specified all risk management policies. In doing so, we have created a solid, reliable and transparent foundation from which we can better serve our clients. We also implemented cutting-edge technologies in all our operations. In 2013, the ISMS was officially certified ISO/IEC 27001:2005 for "Providing online trading and brokerage services". This system puts our teams at the forefront of online trading and alongside providing supervisory management, it underpins cornerstone of HSC's values, enabling us to work with more confidence in our integrity.

Building integrity into our business to create positive values and influence is an ongoing process, and we are currently working with the international consultancy - PwC on a bigger, broader-reaching project, the BPI project. The BPI will further improve the internal controls of our business processes to ensure compliance with internal policies, that risks identified in the ERM are mitigated, to enhance efficiency of operation and to substantiate our financial reports. It is through these robust and dynamic processes that HSC will be able to build on its success and reach its strategic goals, without jeopardizing internal controls.

HSC has also adopted the ITIL standard, which provides a practical framework for identifying, planning, delivering and supporting IT services in our business. It also underpins the foundation for ISO 20000, the international standard for IT Service Management.

Employing internationally recognized systems and adopting cutting-edge technologies illustrates our ongoing commitment to best industry practice and the Corporate Governance strategy of the Board of Directors. In doing so, not only are we in the best position possible to serve and respond to our clients' needs, but we have raised industry standards across the board.

Looking beyond our immediate environment, we have worked hard to adapt to the changing external environment. The growth of the Private Client Division means we have had

“ Our aim is to close the gap between the service quality in Vietnam and the rest of the world. In raising the operational standards at HSC, we are not only improving customer satisfaction, but we are raising expectations which we hope in long-term will lead to a better and more reputable industry. ”

to develop the capacity support this new client base. We have done this by developing more value-added products and services, and take care to advise our clients to disclose all information abided by the law when they place orders at HSC. In the interests of security and transparency, we now announce information on large client withdrawals via different channels such as SMS, and email.

Likewise, institutional investors have their own set of needs that we have worked hard to meet. For example, this year we worked with the VSD to automate all processes in custodian services, based on ISO 15022. Once again, taking the lead from an international standard, the application of the SWIFT connectivity solution with the VSD will transform all processes in our custodian services from manual to automatic. We have also completed all procedures to start being a distributor of open-ended funds, and will be ready to serve investors from Q2/2014. The increased utility of our service is a direct response to the changing needs of our clients as well as that of the business environment.

Our aim is to close the gap between the service quality in Vietnam and the rest of the world. In raising the operational standards at HSC, we are not only improving customer satisfaction, but we are raising expectations which we hope in long-term will lead to a better and more reputable industry.

“ The Treasury and Proprietary Investment team is proud of our commitment to longterm strategies that foster integrity rather than short-term goals that prioritize profit over prudence. Thanks to this, last year we contributed 35.7% to the Company’s revenue. ”

Our strategy is and always will be to consider all opportunities on a riskreturn basis, and to deploy every last penny to generate value. We never overlook a profitable investment opportunity, but take care to ensure we avoid high-risk investments, irrespective of market conditions. We monitor closely all developments in the market place both at micro and macro levels, and discuss them in team meetings, so that our investment decisions have solid research and consensus behind them. We are proud and fortunate to be a team with a wealth of experience and a high level of education from some of the world’s best financial and educational institutions and we channel this into delivering results for our clients.

To further support our clients, alongside standardizing all our procedures such as auction procedures for buying treasury bonds and treasury bills in the primary market, we have provided them with a one-stop-shop for investment services. Clients can come to us to buy treasury-bonds and treasury-bills in the primary market, we can also provide funding for them, and after purchase we can manage their bond portfolios and also find other trading partners to sell those bonds for them in the secondary market. Clients can later use their bonds to borrow funds from us via the bond repo transactions.

We have also dedicated more time to developing structured products such as credit and equity-linked notes and have been coordinating closely with Ministry of Finance, HOSE, HNX, VBMA and VSD to develop new products for both the equity and bond markets such as stock index futures, equity ETFs and when-issued bonds.

This 360 approach to client service has earned us new global institutional clients, and has helped HSC earn No.1 market share in the equity market and substantial revenue. Looking into 2014, we will continue to focus on equity and aim to be the liquidity provider for the equity ETF market. We will keep our bond book unchanged, and continue to use our current bond portfolio to do repo transactions with banks so as to maintain our strong business relationships.

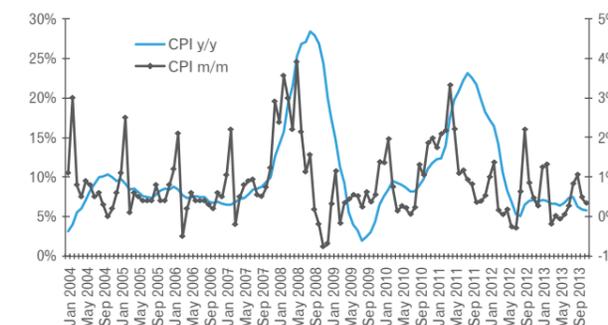
In terms of the market, we have been an active trader and investor on both the fixed income and equity markets this year and again have invested resources in developing new products for the market, such as margin products. To maximize the efficiency of this product, at HSC, we separate the tasks relating to it between the credit and sale divisions.

By raising the bar through developing new products, adopting a holistic approach to service, the Treasury and Proprietary team at HSC operates beyond standard practice. Besides the clear financial rewards, we have earned respect and prestige in the industry and putting us in a position where we are proud to lead by example.

**A. THE ECONOMY SHOWS PROSPECTS OF RECOVERY**

**1. Inflation is likely to remain contained in FY2014 with some small signs of acceleration**

CPI - M/M AND Y/Y TREND

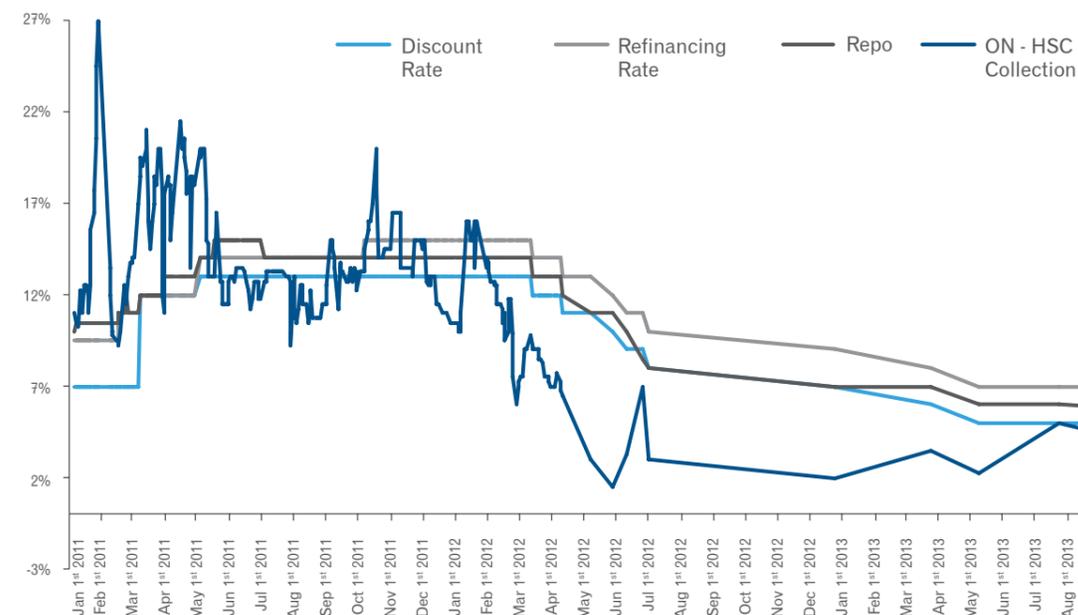


Source: GSO plus various forecasts by HSC

HSC recently revised down its FY2013 CPI forecast to 6% or so, whilst we maintain a forecast of 8% for FY2014. In truth, while we see a few small signs of a possible quickening in pricing pressures, the outlook for the foreseeable future is one of moderate price increases. This is mainly due to our expectation of a fairly modest increase in end demand both at home and overseas, and we expect this trend to be continued. Our view for FY2014 suggests a moderate pace of increase in CPI, supporting our thesis of a slight acceleration to 8% y/y for 2014. Behind this, our model calls for moderate increases in both food and fuel next year. Then we see steady increases in certain Government services mainly electricity prices and some health care & education costs which will drive up affected segment indices such as the Educational items index and the Pharmaceutical & Health care index.

**2. Market interest rates may fall further from here**

OFFICIAL POLICY RATES VS OVERNIGHT RATES



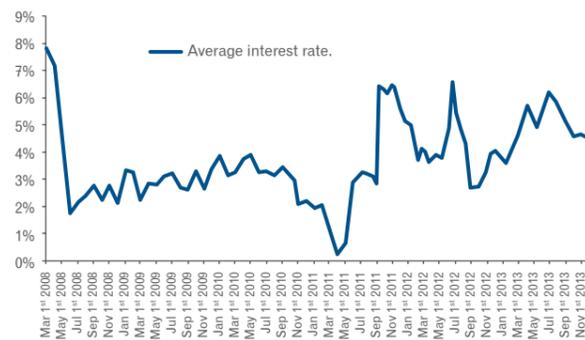
Source: SBV, HSC

# STRATEGY AND MACRO REPORT

(continued)

HSC believes that market interest rates may fall further in the 1-H FY2014 on cheaper average funding costs for banks. As special bonds issued by the VAMC are exchanged for 12-month refinancing loans at the SBV's refinance window, at a rate of 5% for now. The amount should increase steadily to cover several billion dollars of funding at rates 250 bps or so below current deposit rates. Regarding market lending rates, we think they can continue to fall in two ways (1) deposit rates fall further pushing lending rates lower in the normal fashion and/or (2) spreads narrow

AVERAGE VND INTEREST SPREAD (RHS)



Source: HSC survey

Posted deposit rates have been hovering just above annualized CPI levels for quite some time while average lending rates are now about 380 - 470 bps above that level.

Deposit rates depend on banks' appetite for funding. Traditionally banks fund from (1) customer deposits in VND or foreign currencies (2) interbank market (3) open market operations and in some cases (4) deposits from the Government or State Bank of Vietnam (SBV) (5) refinance window used a lot by state-owned banks & some smaller banks unable to fund elsewhere. Gold deposits are no longer allowed while the interbank market is a shadow of its former self with many smaller banks locked out given a lack of collateral. Banks now increasingly rely on customer deposits to fund themselves. This increasing reliance has worked to underpin deposit rates to some extent as they might otherwise have fallen further.

To put that in context till end 2013, HSC roughly estimates that the deposit base has increased by around VND 420 trillion while the VND only deposit base has increased by around VND 365 trillion or so.

Assuming for example that the full number of FY2013 is around VND 500 trillion or so a liquidity injection on the scale above could amount to about 10% - 14% of the FY2014 deposit base at a cost of 5%. In our view this would certainly dampen funding demand for deposits (the most expensive funding source by far) and help bring deposit rates lower, which in turn will bring lending costs down further in its wake. HSC takes the view that deposit rates may fall 50 - 75 bps in the 1-H FY2014 and that average lending rates may drop other 100 - 150 bps over the same period.

For much of the past, both lending and/or deposit rates were capped or constrained by the authorities. And while deposit rates are still capped at 7% (for less than 12-month deposits), lending rates are now set by market forces. Banks are thus allowed to price in credit risk by charging higher rates to some customers.

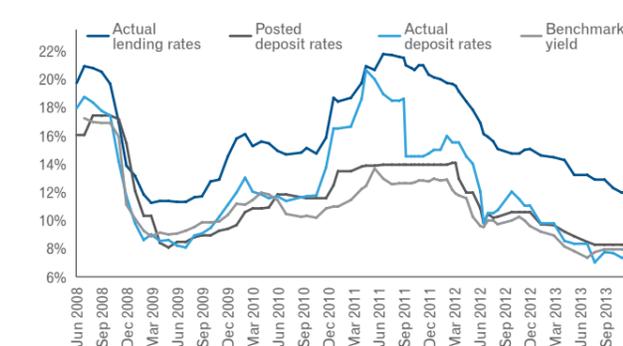
This has been a very healthy development but has also resulted in higher average spreads. So saying that spreads might simply revert to the historic mean is not a valid argument, as the parameters have changed.

- **Official rates will remain unchanged for the foreseeable future**

We feel that policy rates already indicate a low interest rate policy which has been set policy for several years already. And that cutting those official rates further might invite criticism from multilateral agencies. Hence until they decide that the economy has recovered and that rates need to increase (or should inflation move significantly higher) we feel policy rates will remain unchanged for the foreseeable future.

- **Average lending rates still point lower with the bottom not yet in sight**

DEPOSIT RATES VS LENDING RATES VS BENCHMARK YIELD

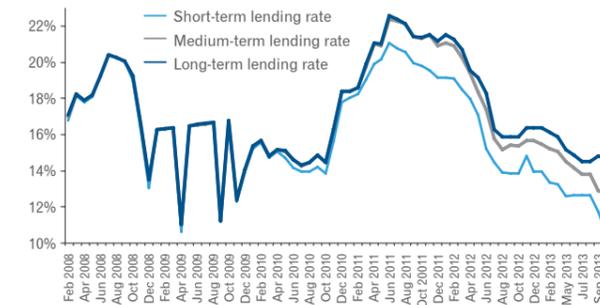


Source: Reuters; HSC survey of banks

# STRATEGY AND MACRO REPORT

(continued)

HSC SURVEY - SHORT, MEDIUM AND LONG TERM INTEREST RATES OVER THE PAST 12 MONTHS



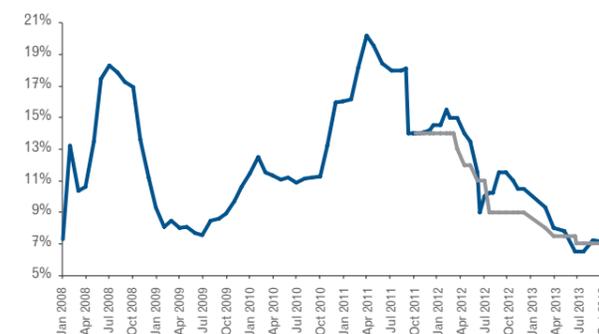
Source: Reuters; HSC survey of banks

Based on our predictions during 12 months of 2013, we see that rates are still dropping although the pace is quite gentle. In summary, it's too early to say that lending rates have bottomed out although if we look at sympathetic indicators such as CPI and benchmark bond yields we might expect that the bottom should be in sight.

However this is not a normal interest rate cycle and that the authorities may still be planning to bring rates down even lower.

- **Average weighted posted deposit rates were stable**

VND ACTUAL DEPOSIT RATE



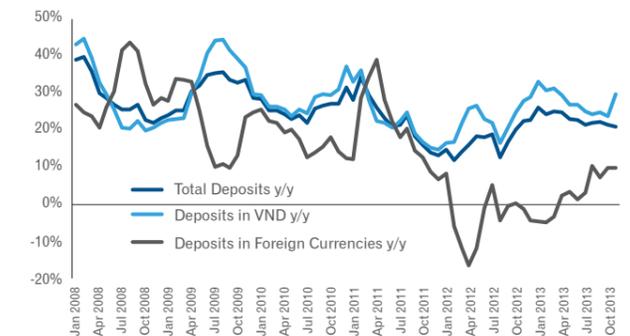
Source: Bank websites and HSC survey of banks

Historically the date set for actual rates fluctuates much more than our posted rates because it is un-weighted by market share. In contrast, HSC weights the individual deposit rates in our own survey by the deposit market share of each bank which makes it a more stable indicator of where the average is.

We have already noted that this series is far more volatile than our own survey because it is (1) reflecting rapid changes in short term deposit rates by outlier smaller banks (2) un-weighted by market share. The drop in November, 2013 follows an increase in actual deposit rates over the late summer of 2013 after it hit a low of 6.5%, then moving back towards 7.18% before falling back again. With the evidence from these two data sets, we would argue that liquidity in the banking system is ample at the moment.

### 3. HSC forecasts deposit growth of 22% in FY2014

DEPOSIT GROWTH Y/Y



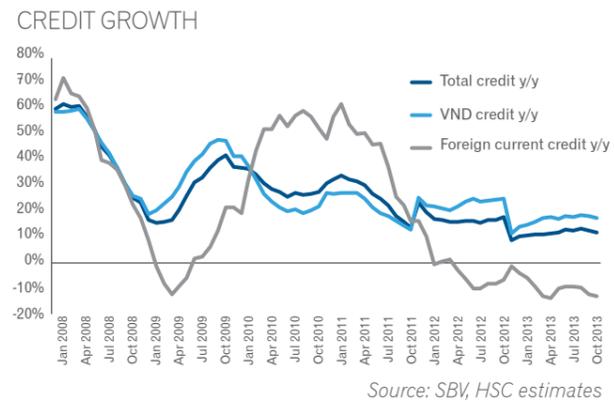
Source: Various media; SBV; IMF and HSC estimates

Deposit growth is running at about 15% YTD as at the end of November 2013 with VND deposits growing by around 22% while foreign currency deposits have grown by around 11.5%. This has enabled the total loan to deposit ratio to fall back towards 90% or so.

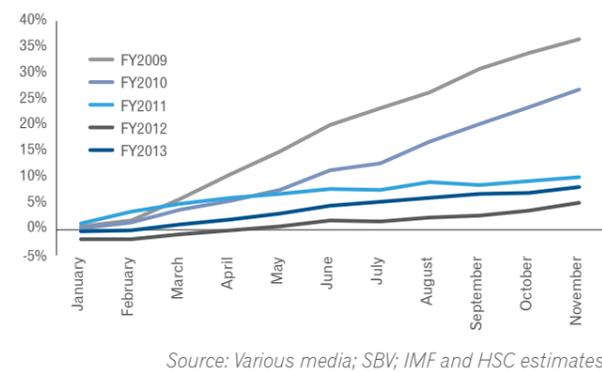
And after several months of tepid growth; VND deposits jumped by over 7% m/m in November 2013. For FY2014 we forecast deposits will grow by 22% or so with VND deposits up around 25% and then foreign currency deposits growth by around 20%. Of course deposit formation is closely tied with M2 growth. The SBV has called for a growth target of 16% - 18% for M2 in 2014.

However, HSC thinks the final number for M2 may exceed 20%. It's clear that the central bank is committed to providing ample liquidity to banks which is the main driver of deposit formation.

**4. Lending growth is picking up very gradually. We forecast 14% credit growth for FY2014**



**YTD CREDIT GROWTH (JANUARY - NOVEMBER) FY2009-2013**



YTD until the end of November 2013; credit grew by about 8.16% or so; while we estimate that VND credit growth came to 13.5% while foreign currency credit fell around 16.5%. As the graph above shows this marks a clear improvement on FY2012 but still shows the second slowest growth over the past five years. If we looked at VND growth only however the picture improves somewhat. The continued decline in foreign currency credit acts as a drag on the headline number while VND loan growth YTD has been significantly higher than FY2012.

Credit growth for all of FY2013 was 12.51%. The bulk of this is still loan restructuring in our opinion while the level of new credit creation is probably not much more than 30% - 40% or so of the headline number.

Even so it's very clear that real credit growth in FY2013 is way faster than last year. We talk to banks regularly and there is a clear sense of rising demand and also a little bit more flexibility in terms of credit risk.

The SBV has set a target of 12% - 14% for credit growth in FY2014 and HSC believes it will come in at 14% at least. With real new credit growth accounting for about 60% of that number, this would mark a gradual expansion of the real credit base with stronger demand coming from (1) agricultural industries as prices start to recover (2) manufacturing industries especially exporters (3) real estate supported by the Government package.

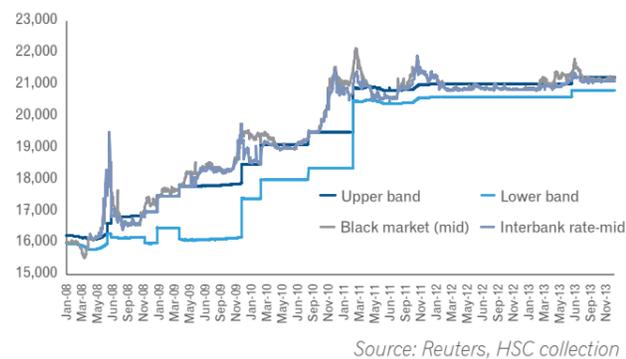
**5. Small 2% depreciation on currency is possible in 2014**

HSC forecasts that the VND/USD rate will be adjusted downwards by a maximum of 2% during FY2014. Net currency inflows remain positive and the SBV has been able to rebuild reserves in the 2-H having lost some earlier as it imported gold in large quantities to support banks' efforts to repay depositors.

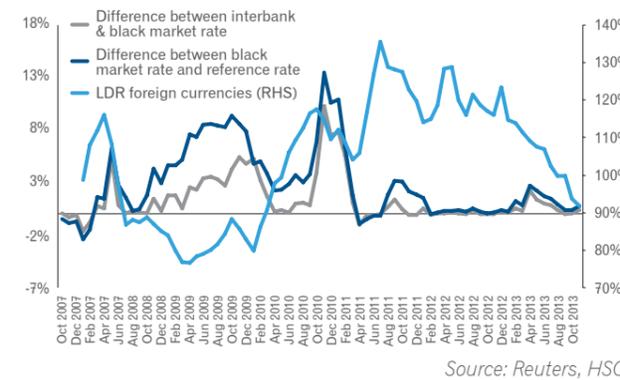
That is all in the past now and we see very little pressure on the currency at the moment. Indeed our view, which calls for another small depreciation is predicated by the belief that the Government may help out exporters in some way. This would be the only possible justification for such a move as, when looked at by every other measure, the VND looks very wellpositioned at the moment.

Traditionally there are three ways to measure the level of pressure on the VND (1) difference between the inter-bank and black market rates (2) the difference between the black market rate and the reference rate (3) and the loan to deposit ratio for foreign currencies. As the chart above shows very clearly all three measures indicate that the level of pressure is low at the moment.

**VND - USD EXCHANGE RATE AND BAND**



**THE EARLY WARNING SIGNS FOR CURRENCY PRESSURE**



Much of this can be traced to the decision taken to de-dollarize the economy back in 2011. One effect was to reduce the amount of foreign currency lending to the current level 13.9% (well below the peak of 24.5%). Whilst the LDR of foreign currency is now a much safer 91% or so. Previously the LDR had hovered at 100% or so all too often. This meant that banks often ran short of dollars whilst managing their loan book. This placed additional pressure on the interbank markets.

By forcing exporters to recycle dollars rather than hoarding them, liquidity in the interbank market was greatly improved. We rarely hear of delays in executing large orders to buy USD these days which is a marked improvement on the past. It also shows that the interbank market now has much greater depth (although information on daily transaction values are still hard to come by).

HSC's view is that these pressures will remain muted into FY2014 and beyond as currency stability remains very high on the Government's priority list. The trade surplus is here to stay in our view while net inflows into the economy from the trinity of remittances, FDI (Foreign Direct Investment) and FII (Foreign Indirect Investment) will likely increase gradually over the next few years. Likely outflows mostly in terms of debt and principal repayments on foreign debt (mostly concessionary) are not expected to rise for the time being.

**6. HSC forecasts GDP will improve to 6.3% in FY2014**

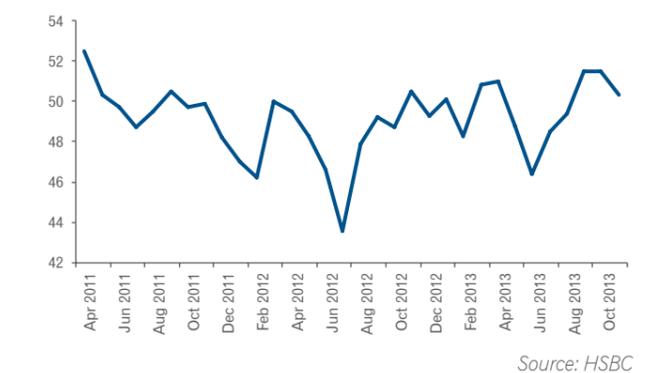
We see that FY2013 GDP grew by 5.4%, a sliver above consensus. While HSC is forecasting GDP growth of 6.3% for FY2014, this assumes a moderate acceleration in growth rates across the GDP spectrum; led primarily however by a recovery in manufacturing, construction and to a lesser extent, real estate from Q2/2014, and supported by lower

interest rates and a moderate improvement in end demand in both domestic and overseas markets. The early signs of a cyclical recovery have emerged in late 2013; a quickening in real credit growth; a move in the HSBC PMI above the 50 boom or bust line for several months already; and higher unit sales in the affordable end of the residential real estate market. Add to that a recovery in demand in Vietnam's key export markets and a surge in registered FDI.

**GDP QUARTERLY KEY SEGMENTAL GROWTH ACTUAL AND HSC FORECASTS (FY2012-2015) - Y/Y% CHANGE**



**HSBC PURCHASING MANAGER'S INDEX (PMI)**



All of this goes beyond the usual seasonal pick-up seen at the end of 2013, not least because the fairly large number of individual signs of recovery, and the strength of the various signals are far louder than what we witnessed at the same time of year in either 2011 or 2012. All of this leads us to forecast a moderate acceleration in GDP 2014. There are just four or five sectors in the GDP series we pay attention to; agriculture; manufacturing; construction; retail & wholesale and finally real estate. Our model predicts a recovery in all five segments although the strength of the projected recovery obviously varies for each.

# STRATEGY AND MACRO REPORT

(continued)

Firstly a brief note on the data itself. The rebasing of the GDP series from 1994 to 2010 earlier 2013 has come with some issues. So far backwardisation has not been made available so our new GDP data series runs for just three years. With so few data points, charts showing quarterly changes and seasonal adjustments lose much of their resonance. We are hopeful the authorities can complete the backwardisation process soon and look forward to providing charts showing the medium to longer term trend shortly thereafter.

## 7. HSC expects the FY2014 GDP recovery to be led by the manufacturing and construction sectors

In manufacturing the signs have been there for a while. The HSBC PMI series which hovered below 50 for quite some time finally broke above it in September 2013 and has stayed above it since. While y/y quarterly manufacturing sector growth in the GDP series itself in Q4 accelerated to 9.1% y/y compared to just 4.6% y/y in Q1/2013, and 8.57% y/y growth in Q3/2013).

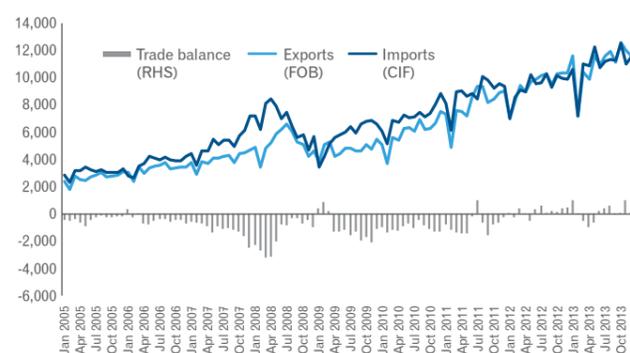
Due in part to rapidly expanding exports of electronic & mobile phone parts over the past two years we saw segment growth of 7.4% y/y in FY2013. And we forecast this will expand by 9% y/y in FY2014 on this and then a broader recovery in various cyclical industries such as steel; cement; machinery & chemicals. With both private and public demand expected to tick higher as the year progresses. And while the weight of the manufacturing segment in the GDP series rose from 18.9% in FY2012 to 19.2% in 2013, we forecast this will increase further to 19.7% in 2014.

The construction sector grew by 5.8% y/y in 2013 and we then forecast 6.1% y/y growth for 2014. Here we see an acceleration in infrastructure expenditure and some recovery in private demand especially in the residential segment. A host of infrastructure projects for which funding is already in place for several years (a lot of this is ODA (Official Development Assistance) funded with the money waiting on the sidelines) have stalled with land compensation disputes often being the reason. The new land bill should illuminate this issue and speed up the clearance process, thus increasing the level of activity in terms of road & bridge building. This is despite the lower forecast for Government spending on projects as we think the money already allocated for various key projects has not been disbursed yet. With much of this matched by ODA funding, then the residential housing market in Ho Chi Minh City had a slightly better year in 2013 with unit demand improving and inventory falling.

Looking into 2014 we expect this trend will accelerate due to the increase in buying possibility and market confidence. The VND 30 trillion support package for affordable housing will play an important role here.

## 8. We forecast the trade surplus will more than double to USD 3.9 billion in 2014

TRADE BALANCE (USD)



Source: GSO

Vietnam posted a small trade surplus for a second consecutive year in FY2013. Looking forward growing trade surpluses should become the norm. Something HSC has been predicting would happen by mid-decade for many years already.

In any event in FY2014 we forecast that exports will grow faster than imports as export growth accelerates into a global recovery while we think inventories in certain industries will be allowed to shrink to some degree. Growth will be driven by non-commodity exports and then imports of raw materials and machinery. We also expect that the weight of FDI industries in exports will increase even further with some large FDI plants coming on stream soon.

# STRATEGY AND MACRO REPORT

(continued)

TRADE SUMMARY AND HSC FORECASTS FOR FY2014

	FY2011	y/y	FY2012	y/y	FY2013	y/y	FY2014	y/y
Exports (FOB)	96,606	33.7%	114,631	18.7%	132,676	15.7%	156,558	18.0%
Imports (CIF)	106,043	25.0%	112,451	6.0%	131,425	16.9%	152,584	16.1%
Trade balance	-9,434	-25.1%	1,931	-120.5%	1,251	-35.2%	3,974	217.7%

Source: GSO and HSC forecasts

## 9. TPP (Trans-Pacific Strategic Economic Partner Agreement) - a golden lotus could flower next spring

The 2013 deadline was always very ambitious. Of more importance is the fact that the recent Singapore round has shown great momentum with substantial progress made on most of the remaining key issues. No new deadline has been set but we have been told that the chance of a high standard agreement sometime over the next 6 - 12 months is high. With the earliest possible date perhaps during the APEC (Asia-Pacific Economic Cooperation) summit in Bali in April 2014.

Vietnam has made a more vigorous presence in the talks in recent months and their participation naturally revolves around negotiating the best possible deal. This will come down to swapping greater inward market access in areas like agriculture; services and Government procurement in return for a lifting of most tariffs & some flexibility on the contentious country of origin rules. Vietnam is therefore looking to be allowed a series of non conforming measures to take account of its developing market status.

## 10. Resolution of the NPL issue is moving slowly - but at least it's moving

FY2013 saw the setting up of the VAMC marking the beginning of an attempt by the Government to help banks clear their NPLs over the next few years. They look on track to hit the first year target of VND 35 trillion worth of NPLs. Which are being asset swapped from banks in exchange for 5 year zero coupon special bonds. This is effectively a liquidity injection into the banking system as these bonds can be used as collateral in the refinance window in exchange for 12 months loans at an interest rate of 5%.

Actual declared system NPLs have hovered around 4.46% - 4.86% in 2013. And at 4.55% at the end of November. Which means when taking 8.3% or so credit growth as at the end of last month that they have fallen somewhat. NPLs tend to peak at year-end when banks & auditors run checks on their

loans books and then move little during the year. Especially when banks can simply restructure loans without including them in NPLs. And with Circular 02 delayed until 2014 there has been little external pressure on banks to speed up the declaration of NPLs.

This is expected to change in FY2014 once Circular 02 is enforced from the summer. However despite the stricter rules not all banks are expected to be compliant straight away. While maintaining financial system stability is still the overarching aim of the SBV they will apply the new rules sympathetically. Hence the increase in declared NPLs will be continued to be managed in our opinion. The process of solving this issue may move into a higher gear in 2014 but the pace will still be moderate. Governed by the lack of resources needed to solve it more quickly.

### • How much NPLs are in the system currently?

We have updated our NPL model to account for the developments in 2012. Including growth in loans outstanding and the amount of provisioning and NPL write-offs that took place at the end of FY2012. We keep our three scenarios and use the most likely case of 19.2% NPLs to see what would be required from the banking system in terms of provisioning and write-offs. Based on that we assume about USD 15.47 billion dollars will be required to cover the write-off of debts in the system.

We expect system wide provisions and write-offs to increase in 2013 by 18.3% y/y and 35% y/y respectively causing pretax profits to decline by 13.9% y/y. Assuming that pre-provision profits will increase slightly by 1.4% y/y. At this rate it will take another 6.5 years or so to write off all of the NPLs we estimate are in the system. Of course some banks will be done in a year or do while other banks (some state owned commercial banks) might take a lot longer.

The realization that with the level of provisioning lower than we had hoped the process will take longer. And if the eventual secondary market pricing drops down towards 25 cents in the dollar the process might take longer still as the final bill might move towards USD 25 billion or so.

• **VAMC has swapped around VND 32 trillion YTD. And should reach VND 100-150 trillion by the end of FY2014.**

Phase 1: VAMC swaps NPL for special bond		
Step 1	Credit institution submits documents related to the to-be-sold NPL basket to VAMC	VAMC check the documents and may ask for supplementary information over 5 working days
Step 2	VAMC appraises and gives feedback (with an explanation in case of a refusal)	10 working days
Step 3	VAMC sends contract to selling credit institution	Contract to be signed within 5 working days
After the contract is signed, the credit institution may use the bond to approach the refinancing window		
Step 4	Transaction details explained to borrower & any guarantor, etc VAMC examine further to classify the borrower & assess loan quality; compare documentation to actual collateral	10 working days
Phase 2 - Utilize special bond to access refinancing window for funding		
Step 5	Bond holder sends documents requesting a refinancing loan to the SBV's Monetary Policy Department by post	Within 2 working days, SBV's department will request information & opinions from related partners (VAMC, other credit institutions, Ministry of Finance, etc) Waiting time up to 15 working days
Step 6	SBV's credit department submit documents to the Governor for approval	15 working days
Step 7	SBV provides a refinancing loan to the credit institution	

Source: Various media; HSC

To date and since it started operating in October the VAMC hopes to reaching the upper end of the target band of VND 30-35 trillion set earlier in 2013. By the end of 2014 the VAMC has been set a target of VND 100-150 trillion or so. All debts are in VND (no foreign currency loan have been swapped). Involving a total number of about 23 credit institutions.

All have issued special five year zero coupon bonds which may be used as collateral in the refinancing windows at a loan to value ratio of 70% for 12 month loans at an interest rate of 5%.

The VAMC's job is to sort these NPLs into baskets by type of collateral and credit quality over the next 12 months or so.

They may wait until Circular 02 is implemented in order to gather more information about what they are holding. There have been calls from some senior economists to set up a secondary debt trading market here to facilitate the process of disposal.

However many questions remain over (1) who actually owns the collateral; (2) whether or not banks would have to agree prior to a disposal in all cases. This process will therefore not begin any time soon. More likely the VAMC will sort the NPLs into various baskets and then try to restructure or collect what they can. Leaving the disposal question to be solved later at a higher level.

## B. THE MARKET STILL REPRESENTS DECENT VALUE FOR INVESTORS

### 1. Foreign Ownership Limits (FOL) rules for banks have been liberalized but only slightly

On Jan 3<sup>rd</sup> 2014, the Government issued Decree No. 01/2014/ND-CP replacing Decree No. 69/2007 which makes some minor adjustments to the FOL for banks. Whilst keeping the 30% limit in place, it has increased the ceiling ownership limit, which may be held by one individual credit institution from 15% to 20%. However in cases where a restructuring plan of a weak bank requires that a foreign institution owns more than 20% of the shares the Prime Minister may allow that at his discretion.

The decree has become effective from Feb 20<sup>th</sup> 2014. To own over 10% shares of a financial institution in Vietnam, a foreign credit institution must have total assets over USD 10 billion; or chartered capital over USD 1 billion if it's another type of entity. The shares will be locked up for 3 years if stake is increased above 10%. A foreign bank that wishes to be a strategic investor in a local bank (owning up to 20% of the shares) must have total asset over USD 20 billion and may not own over 10% stake in any other financial institution in Vietnam

The change is not that significant as in any event several foreign banks have already held 20% stakes in local banks for some time. However up till now these were regarded as special cases whereas from now they will become the rule. The exception clause which allows for weak banks to be taken over by foreign institutions may be tested soon.

### 2. Some test cases of foreigners taking over troubled local banks are in the works

There is a total of 9 local banks that were placed on a special watch list and instructed to restructure. And it is these banks that are most likely to be taken over either by new local or foreign shareholders. Indeed most of these have already submitted plans for restructuring to the SBV.

One of the banks on that list is Global Petrol JSC Bank (GP Bank). And now Singapore's United Overseas Bank (UOB) has begun due diligence at GP Bank, exploring the possibility of a full acquisition which would turn the Hanoi-based lender into a wholly owned foreign-owned bank.

### 3. In FY2013 new market supply increased 54.1% y/y

LISTING IN 2013

Company	Company name	Starting price (VND)	Number of shares	Market cap (VND)	Market cap (USD)	Exchange	Note
DHP	Hai Phong Electrical Mechanical JSC	7,300	9,492,200	69,293,060,000	3,284,031	HNX	Done
FIT	FLT Investment JSC	11,000	15,750,000	173,250,000,000	8,210,900	HNX	Done
HLD	HUDLAND Real Estate Investment and Development JSC	19,000	20,000,000	380,000,000,000	18,009,479	HNX	Done
KLF	FLC Joint Venture Global Investment JSC	10,500	26,000,000	273,000,000,000	12,938,389	HNX	Done
KSQ	Quang Anh Mineral JSC	11,000	3,000,000	33,000,000,000	1,563,981	HNX	Done
NDX	Danang Housing Development JSC	11,500	4,120,000	47,380,000,000	2,245,498	HNX	Done
PSD	Petroleum General Distribution Services JSC	60,000	14,222,700	853,362,000,000	40,443,697	HNX	Done
SHA	Sonha Saigon JSC	10,800	8,000,000	86,400,000,000	4,094,787	HNX	Done
THS	Song Da - Thanh Hoa JSC	10,100	3,000,000	30,300,000,000	1,436,019	HNX	Done
TTZ	Tien Trung JSC	9,400	3,500,000	32,900,000,000	1,559,242	HNX	Done
FCM	FECON Mining JSC	24,000	26,800,000	643,200,000,000	30,483,412	HOSE	Done
AGM	An Giang Import Export Company	20,000	18,200,000	364,000,000,000	17,251,185	HOSE	Done
FLC	FLC Group JSC	5,500	77,180,000	424,490,000,000	20,118,009	HOSE	Done
HAR	An Duong Thao Dien Real Estate Trading Investment JSC	12,000	36,399,875	436,798,500,000	20,701,351	HOSE	Done
NLG	Nam Long Investment Corporation	27,000	95,513,523	2,578,865,121,000	122,221,096	HOSE	Done

# STRATEGY AND MACRO REPORT

(continued)

Last year supply did increase mainly due to an increase in (1) IPO and (2) a surge in secondary market capital raising by corporates other than banks. None of the IPO were particularly large however they raised less than USD 50 collectively. However this represented a decent increase on what was raised back in FY2012.

Secondary market issuances by corporates fared better. A number of large companies completed their capital raising plans for FY2013 although as ever we also had a long list of pending issuance left over at the end of the year. Still success here marked an improvement on the previous year

## 4. More corporate actions were seen in FY2013

LARGE CORPORATE ACTION IN FY2013 - EXECUTED AND PENDING

Ticker	Announced Date	Issue Method	Status	Quantity (shares)	Price (VND)	Total Value (VND)	Total Value (USD)	ExDateT3
BID	Jun 18 <sup>th</sup> 2013	Rights issue	Done	405,847,193	10,000	4,058,471,930,000	192,344,641	Jun 21 <sup>st</sup> 2013
CTG	Jan 15 <sup>th</sup> 2013	Private placement	Done	644,389,811	10,000	6,443,898,110,000	305,398,015	Jan 15 <sup>th</sup> 2013
CTG	Jun 13 <sup>th</sup> 2013	Rights issue	Done	457,260,208	10,000	4,572,602,080,000	216,710,999	Sep 6 <sup>th</sup> 2013
FLC	Apr 25 <sup>th</sup> 2013	Rights issue	Pending	77,180,000	10,000	771,800,000,000	36,578,199	
HAG	Jan 4 <sup>th</sup> 2013	Rights issue	Done	107,474,210	10,000	1,074,742,100,000	50,935,645	Apr 4 <sup>th</sup> 2013
HAG	Jan 4 <sup>th</sup> 2013	Convertible bond	Done	75,000,000	21,000	1,575,000,000,000	74,644,550	Jun 19 <sup>th</sup> 2013
HT1	Aug 24 <sup>th</sup> 2013	Private placement	Pending	120,000,000	10,000	1,200,000,000,000	56,872,038	
HVG	Dec 6 <sup>th</sup> 2013	Private placement	Pending	20,000,000	28,000	560,000,000,000	26,540,284	
ITA	Apr 27 <sup>th</sup> 2013	Private placement	Done	140,000,000	10,000	1,400,000,000,000	66,350,711	Feb 28 <sup>th</sup> 2013
KBC	Nov 4 <sup>th</sup> 2013	Dividend share	Pending	100,000,000	10,000	1,000,000,000,000	47,393,365	
MBB	Apr 24 <sup>th</sup> 2013	Rights issue	Done	53,125,000	10,000	531,250,000,000	25,177,725	Oct 16 <sup>th</sup> 2013
MBB	Apr 24 <sup>th</sup> 2013	Rights issue	Done	50,000,000	10,000	500,000,000,000	23,696,682	Dec 4 <sup>th</sup> 2013
MBB	Apr 24 <sup>th</sup> 2013	Private placement	Done	22,500,000	10,000	225,000,000,000	10,663,507	Apr 24 <sup>th</sup> 2013
MBB	Apr 25 <sup>th</sup> 2013	Private placement	Pending	374,500,000	10,000	3,745,000,000,000	177,488,152	
MSN	Apr 27 <sup>th</sup> 2013	Private placement	Done	38,770,465	65,915	2,555,555,200,475	121,116,360	Oct 30 <sup>th</sup> 2013
NLG	Oct 28 <sup>th</sup> 2013	Private placement	Pending	25,500,000	22,000	561,000,000,000	26,587,678	
OCH	Jul 17 <sup>th</sup> 2013	Rights issue	Done	100,000,000	10,000	1,000,000,000,000	47,393,365	Jul 26 <sup>th</sup> 2013

and proved investors were interested in spreading their cash around. Banks also continued to raise substantial amounts of money although this was down on FY2012 which had been a bumper year.

The absence of any new large IPO in recent years has been symptomatic of the market's slow development. A dearth of representation in sectors such as telecom, retail, aviation and even many consumer and industrial segments is the result. There is no quick fix here but the hope is that larger scale IPO will make a comeback from this year as the markets improve. And frankly the Government needs to find new sources of cash.

# STRATEGY AND MACRO REPORT

(continued)

Ticker	Announced Date	Issue Method	Status	Quantity (shares)	Price (VND)	Total Value (VND)	Total Value (USD)	ExDateT3
PAN	Apr 26 <sup>th</sup> 2013	Private placement	Pending	20,312,500	32,000	650,000,000,000	30,805,687	
PVD	Apr 26 <sup>th</sup> 2013	Private placement	Done	20,152,000	31,758	639,987,216,000	30,331,148	Jul 24 <sup>th</sup> 2013
PVD	Apr 26 <sup>th</sup> 2013	Private placement	Done	17,848,000	45,605	813,958,040,000	38,576,210	Jul 24 <sup>th</sup> 2013
STB	May 26 <sup>th</sup> 2012	Private placement	Done	136,355,472	10,000	1,363,554,720,000	64,623,446	May 20 <sup>th</sup> 2013
<b>Total executed</b>						<b>26,754,019,396,475</b>		
<b>Total pending</b>						<b>8,487,800,000,000</b>		
<b>Total</b>						<b>35,241,819,396,475</b>		
<b>Total in USD</b>						<b>1,670,228,407</b>		

*Source: HOSE; HNX*

What's in the pipeline of large scale corporate action will be not known until the AGM season begins in April - May, 2014. We think cautious recovery in both the stock market and the economy, will give rise to more demands for capital. And as a result we think the capital raising pipeline by this summer will be fuller than last year and that more companies will be represented in it. Hence we can easily predict that expected new supply from corporate action will increase perhaps by up to 50% - 75% y/y this year.

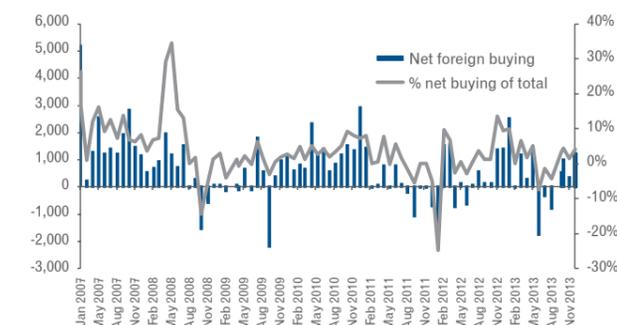
## 5. Demand is rising at a gentle pace

Domestic retail investors still dominate the market although foreigners were clearly more active in FY2013 than they have been for some time. And dominated sentiment as money flow was concentrated on blue chips for much of the year as both locals and foreigners bet on expected FOL reforms. We sense that 2014 will bring more of the same with more money flowing in from both foreigners and local investors.

And we also expect that the reforms will be announced soon as the talking phase has gone on for long enough. Even so a chronic lack of liquidity and several other obstacles still stand in the way of a faster pace of development in the market. We think further reforms will take some time. And in the meantime mainstream foreign institutional funds will give it a miss.

## 6. Foreigners will be net buyers once again in FY2014 most likely

HOSE NET FOREIGN BUYING VS NET BUYING AS % OF TOTAL



*Source: HOSE*

In FY2013, foreigners bought almost USD 200 million worth of equities on both exchanges, the most since FY2010. They were noticeably active in the first three months of the year before selling half of what they bought in Q2 & Q3. However they returned towards the end of Q3 and have been steady net buyers since. While no major new country specific funds were launched in 2013, much of the buying came from a combination of the existing ETFs and then frontier market funds who wanted to raise their Vietnam exposure.

# STRATEGY AND MACRO REPORT

(continued)

FOREIGN NET BUYING OF EQUITIES (FY2007-2013)

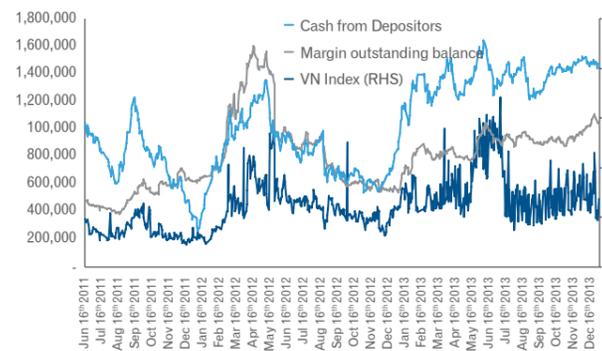
	HOSE	HNX	Total	Total in USD million
FY2007	22,875	-2,865	20,009	952.82
FY2008	5,827	-554	5,272	251.06
FY2009	3,177	-370	2,807	133.66
FY2010	15,367	-823	14,544	692.57
FY2011	1,263	-642	621	29.58
FY2012	3,321	-1,083	2,239	106.60
FY2013	5,502	-1,304	4,198	199.88

Source: HOSE

This trend of steady rather than spectacular buying is expected to continue into FY2014. And while a handful of new specialist funds will be net buyers the main weight of buying from foreign investors is likely to come from the usual suspects. Liquidity concerns and the fact that blue chips are now more closely valued with regional peers mean that the larger mainstream funds stay shy of Vietnam or at best hold on to one or two issues. And we are several years away from meaningful market reforms to tackle issues like removing the pre-funding requirement for institutions and perhaps introducing NVDRs to improve the liquidity picture.

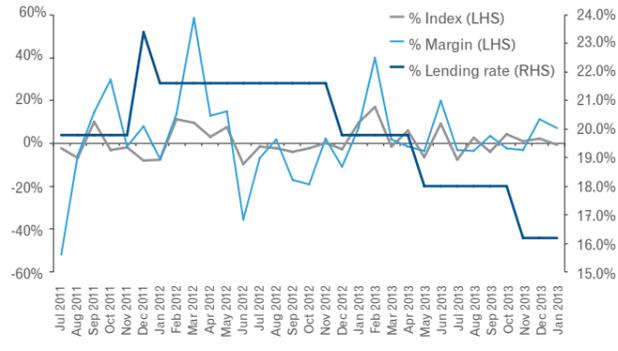
## 7. Domestic investors will continue to move cash into the market

MARGIN LENDING VS INDEX



Source: HSC

MARGIN LENDING VS INTEREST RATE



Source: HSC

Domestic investors experienced several mini waves of buying euphoria in the first two months of the year and then in the dying weeks of 2013. In between however, there was a distinct lack of energy and both market volumes and momentum shrank noticeably from Q2 until half way through Q4/2013. These coincided to begin with the profit taking by foreigners in Q2, however later on there was perhaps a sense of frustration over a lack of movement on market reforms.

Margin-related activity is an excellent guide to retail sentiment and the chart above which traces observable margin positions clearly shows the peaks and troughs through the year. Even so it's interesting to point out that while the index hit a peak in early summer margin positions reached their highest level late on in the year which suggests that current levels of domestic market participation are higher now than they have been all year.

This bodes well for the market into FY2014. Concerns over Fed tapering and the amount of net buying that can be expected from foreigners remain and hence much of the heavy lifting in early 2014 may be done by local investors. With interest rates still falling and the gold market such a disappointing place to put money over the last 12 months, the stock market holds clear attractions. And while investment horizons tend to be shorter than for institutions; domestic buying once sustained can generate a powerful momentum of its own.

Our belief then is that we will see increasing levels of investment from local investors into the stock market over the next few months as promised reforms coincide with increasing signs that the economy is embarking on a gradual cyclical recovery. And lower average interest rates on margin borrowing will play a supporting role in our opinion. Margin levels while significantly higher than they were a year ago are still well below 2012 peaks suggesting the market is very far from being over bought.

# STRATEGY AND MACRO REPORT

(continued)

## 8. Model Portfolio

Ticker	Sector	Price	Outstanding shares	Market cap (VND bil)	Market Cap (USD bil)	Net profit FY2013	Net profit FY2014F	% y/y	EPS FY2013	EPS FY2014F*	2013 PE	2014 PE	2013 ROE
VCB	Financials	27,200	2,317,417,076	63,034	2.99	4,235,402	4,066,471	-4.0%	1,558	1,496	18	1.49	10.1%
MBB	Financials	12,500	1,125,625,000	14,070	0.67	2,482,701	2,694,058	8.5%	1,919	1,861	7	0.97	18.0%
SSI	Financials	18,000	350,748,034	6,313	0.30	444,723	498,546	12.1%	1,268	1,421	13	1.23	8.5%
HAG	Financials (real estate)	20,500	718,154,693	14,722	0.70	859,684	1,008,606	17.3%	1,197	1,404	15	1.16	7.1%
CII	Financials (real estate)	18,200	112,801,500	2,053	0.10	70,937	214,049	201.7%	629	1,898	10	1.32	6.3%
KBC	Financials (real estate)	9,900	289,760,188	2,869	0.14	115,344	143,959	24.8%	398	497	19	0.69	2.9%
MSN	Consumer Goods	81,500	705,140,873	57,469	2.72	819,723	2,841,503	246.6%	1,101	3,815	22	3.68	9.5%
HSG	Industrials	41,500	96,313,098	3,997	0.19	580,289	630,998	8.6%	5,987	6,808	6	1.74	27.4%
HPG	Industrials	41,600	419,052,533	17,433	0.83	1,542,184	1,898,074	23.1%	3,680	4,529	9	1.85	18.4%
PVD	Oil & Gas	60,000	275,261,398	16,516	0.78	1,943,026	2,176,050	12.0%	7,756	8,689	7	1.86	23.1%
FPT	Technology	47,300	275,119,379	13,013	0.62	1,633,836	1,981,556	21.3%	5,928	7,097	7	1.82	29.2%
PNJ	Consumer Goods	30,400	71,997,126	2,189	0.10	198,012	235,492	18.9%	2,739	3,115	9	2.06	15.0%
KDC	Consumer Goods	49,500	165,030,369	8,169	0.39	500,980	636,406	27.0%	3,097	3,706	14	1.78	9.6%
<b>Small &amp; medium cap</b>													
LAS	Chemicals	38,300	77,832,000	2,981	0.14	417,152	432,175	3.6%	5,360	5,553	7	2.01	31.1%
FCN	Construction	18,900	39,759,118	751	0.04	120,000	132,000	10.0%	5,537	3,320	6	1.28	30.2%
DXG	Financials (real estate)	12,300	63,399,617	780	0.04	70,000	NA		1,104	NA	11	1.29	NA
CTD	Construction	54,500	42,133,344	2,296	0.11	220,000	NA		5,222	NA	10	1.08	NA
NLG	Financials (real estate)	17,400	95,513,523	1,662	0.08	25,183	72,042	186.0%	264	754	23	1.20	1.7%
VNS	Transportation	50,000	43,499,818	2,175	0.10	231,574	274,724	18.6%	5,701	4,658	8	1.86	22.0%
TRA	Health Care	86,500	24,673,300	2,134	0.10	148,961	169,939	14.1%	6,766	6,886	13	3.54	23.7%

(\*) Diluted EPS; Source: company websites; all forecasts by HSC.

# STRATEGY AND MACRO REPORT

(continued)

## C. AUTHORITIES EXECUTE POSITIVE MEASURES TO IMPROVE MARKET SENTIMENT

### 1. long awaited reforms should add to market supply in FY2014 & FY2015 but gradually

From Decree 55 to the restructuring plan for the State Capital and Investment Corporation (SCIC), the promise of new supply from the sale of Government held stakes in listed state owned enterprises has been held before investor's noses all last year. Now we seem to be moving closer to the execution phase whereby FOL limits will be raised selectively while the SCIC itself will get down to the business of selecting holdings to divest. Otherwise we note that the aggregate value of those SCICs holdings which they are allowed to fully divest over the next two years under the plan looks a little light.

The market supply from IPO should also benefit from the intention to list some fairly large SOEs such as Vinatex (textiles) and Vietnam Airlines. Now these plans have of course been carried over from FY2013 and there is no guarantee that anything will happen. But we sense that there is a greater willingness to act given that the stock market appears to have left its bear phase behind. In any event the listing of smaller SOEs such as Viglacera seems assured. Private sector IPO such as the mobile phone retail chain Mobile World will add somewhat to the meager listed offerings in retail and there will be the usual shoals of small scale IPO.

Then we also foresee an expansion in the number of secondary market corporate actions; mostly private placements by medium to large scale corporations. Corporations raised little money in 2010 - 2012 however we saw a number of fairly large capital raising exercises last year demonstrating that the market's appetite has to some extent returned. This also appears to apply to sectors such as real estate which have seen limited capital inflows over the past few years.

### 2. SCIC restructuring plan hints at sales of some listed holdings over the next two years

The SCIC restructuring plan was approved by the Prime Minister at the beginning of December. Which should enable them to dispose of a portion of their listed and unlisted holdings over the next two years if they so wish.

Most of the SCIC's holdings can be disposed of under the plan. However the SCIC will retain a long term holding in VNM; FTel; DHG and VNR. Plus a select list of small unlisted companies mostly regionally based. However, stakes in other large listed companies such as VCG; VSH; BVH; DMC; BMP and TRA may be fully disposed off. The largest of these stakes; in Vinaconex (VCG); the construction giant is valued at about USD 125 million or so. And is understood to be at the front of the queue of possible disposals.

Now selling stakes in some of these companies over the next 2 years could generate some revenues for the Government and also see the transfer of a some portion of Government listed holdings into long term institutional hands.

On December 2<sup>nd</sup>; Prime Minister's office released decision No. 2344/QD-TTg approving SCIC's restructuring plan during 2013 - 2015. Under the restructuring decision take effect on Dec 02<sup>nd</sup> 2013, SCIC will invest long term in four businesses which yield it a large stream of dividends; keep control of a further 24 companies and plan divestments of a total of 376 companies.

We would interpret the document as being fully consistent with what we already know about the Government's plans and previous statements vis-a-vis asset disposal over the next few years. It divides the SCIC's universe into (a) companies that may be fully disposed (b) companies where control will be kept and (c) companies in which the Government is determined to keep a long term holding. The latter two lists are both very small in fact when compared to the first list. And more importantly the list of companies where the Government insists on the SCIC keeping control doesn't include any major names.

The SCIC currently holds 45% of Vinamilk; 50.15% of FTel; 40.4% of Vinare and then 43.3% of DHG. Interestingly none of these stakes is currently below 40%. Of course under the Law on Enterprise 35% plus one share is the minimum stake that confers a shareholder veto rights. Hence HSC feels it's highly unlikely that a strategic stake would be defined as being less than 35% plus one share.

HSC views this document as fairly progressive in nature and giving the SCIC a fairly broad mandate to dispose of most of its holdings should it wish to, of course at the right price. If we view Decree 55 and this document in conjunction you begin to see the possible movement of supply from the SCIC's balance sheets over to institutional investors over the next two years. Of course this is a preliminary document authorising such a process and the details have yet to be worked out. This may take another 6 months or so however we predict that the first of these sales of SCIC holdings may begin by the summer of 2014.

### 3. Decree 55 opening up the foreign room is expected to be signed soon

Decree 55 updating the rules on FOL was sent to the Government Office since early December for final approval. However having been sent over, there was a subsequent request to provide additional supporting documentation. Specifically they asked for a list of restricted and nonrestricted sectors to be prepared by the stock market regulator, the SSC. This would then have to be approved by the Ministry of Finance and finally by the Prime Minister. Which has delayed the approval process by several weeks.

The likely proposed increase of foreign ownership limit for voting shares would then apply in case of a share (1) being on the non-restricted list (2) have received shareholder approval and (3) subject to final approval by the authorities.

We understand the latest version would allow the following;

**(1) Raise the FOL on voting shares from 49% to 60%** - the latest version appears to allow the room to be raised for both existing and new shares. Whereas previous drafts only mentioned the case of new shares, this is more reasonable as some larger caps where the Government holds a big stake are unlikely to issue new shares (other than perhaps bonus shares) in the fore-seeable future. This of course all subject to shareholder and Government approval.

**(2) Non-voting shares may be fully owned by foreigners** - a non-voting share issue could be 100% bought by foreign investors. Since first mooted nonvoting shares have had little traction amongst investors. Main concerns include; being traded separately they might reduce liquidity further, carry a large discount as compared to voting shares and complicate the share registry. There also appears to be little appetite on the part of corporates to issue nonvoting shares.



POSITIVE IMPACT ON

SOCIETY

## POSITIVE INFLUENCES ON OUR PEOPLE

HSC knows that the positive growth and development of the industry starts at home. By fostering a positive environment within our business, we hope our staff and colleagues will go on to promote more positive ways of working and living in both their daily lives and future careers.

Our development strategies are based on expertise and capacity - human capital is considered as our greatest asset and people management is a key factor in our sustainable development. Therefore, HSC continuously develops training programs aimed at enhancing knowledge, expertise, and the skills of our staff. At the same time, we invest heavily in health care, and aim to enrich our staff's lives through motivating them to develop their full potential, and encouraging personal development and dedication to the Company.

### Talent Retention

To retain talent, HSC pioneered the HSC Employee Stock Ownership Plan (ESOP) program, one of our many activities that aims to attract and retain talent based on their ability and development potential and designed to inspire dedication to HSC. Since 2007, HSC has implemented our forth ESOP program, which has been a highly effective tool in retaining talent, recognizing good performance and enhancing employee engagement. In 2013, HSC issued 1.2 million bonus shares with a total value of VND 12 billion at nominal price, through the 2013 ESOP program.

### Strengthening skills, leadership and succession planning

Within our emphasis on human development, we are continually developing our training programs to further the knowledge, expertise, and skills of our staff through training courses on the securities profession, management, leadership skills and customer service. In addition, we have created an environment in which they can enhance both their professional expertise as well as themselves. Many of our staff have, with our wholehearted support, continued their study and achieved prestigious professional certificates such as CFA Level 3 (the highest level of CFA), MBA,...

Since 2010, we have offered HSC leadership and succession planning program in an effort to encourage our staff's leadership potential.

The program has been under constant development with the aim of embedding our leadership culture into HSC's core values.

Content	2011	2012	2013
Number of training courses	105	68	101
- Internal training (courses)	22	9	30
- Securities certificate (courses)	33	34	40
- External training - skill and professionalism	50	25	31
Number of times staff attended all the classes (per time)	377	211	1,139

### Well-being and health care

Employee welfare programs have always been at the forefront of HSC's attention. Besides comprehensive health insurance policies, since 2007, HSC has offered annual health checks for all our staff.

In 2013, HSC continued our partnership with Gras Savoye Willis Vietnam - Groupama, to provide premium health insurance programs for our staff and their families. This also helps support our staff in financial crisis, especially due to health issues such as serious illness with high treatment costs.

Our annual health checks for all HSC staff take place at internationally recognized hospitals with high quality and great services, such as An Sinh General Hospital, My My Victoria Healthcare International Clinic, Yersin Clinic.

The total bill for HSC's healthcare expenditure last year came to VND 10 billion. This includes all health checks, health and accident insurance for HSC staff and families, as well as social insurance and medical insurance. However, this investment is well worth it, and a small price to pay for the health of our greatest asset.

### Team building

In order to strengthen cohesion among departments and empower individuals, HSC organized a variety of cultural and sports activities and team-building events, with the aim of engendering a work-life balance for each individual.

In 2013, in cooperation with the Union, a series of art and sport events took place which included: HSC photo contest "A hundred years of nurturing humanity", flower design contest, sport clubs such as soccer, tennis, badminton, Yoga, Gymnastics, Hi-Art photography club, English club, book library. These events enabled HSC to increase staff engagement and reinvigorate their dedication to HSC. During 2013, HSC Union was awarded the prize of "The pre-eminent Union" as well as excellent and outstanding Union's personnel

## POSITIVE INFLUENCES ON OUR PEOPLE

HSC placed a much greater emphasis on thorough information exchange within the Company through regular activities and various information channels:

- Team Briefing, an event organized to summarize business activities on a quarter-on-quarter basis when the Management Team updates quarterly business statuses to all the staff. They are encouraged to raise their opinions, and concerns are listened and responded to by the Management Team.
- Luncheon with the Management Team, which is hosted every two months. This is a valuable opportunity for the staff of each department to express their viewpoints and showcase their constructive opinions for the sake of HSC development, and also to discuss and hear from the Management Team.
- Furthermore, HSC established a well-managed receipt mechanism for feedback from its staff regarding sensitive cases or confidential information. Such personal feedback are well-received in available letterboxes.

In line with the promotion of a considerate and thoughtful spirit amongst the staff, HSC's Company Trip in the spirit of "I care" was the highlight of 2013. This event differentiated itself from previous events thanks to the combination of teambuilding and a Music Gala to welcome the new year

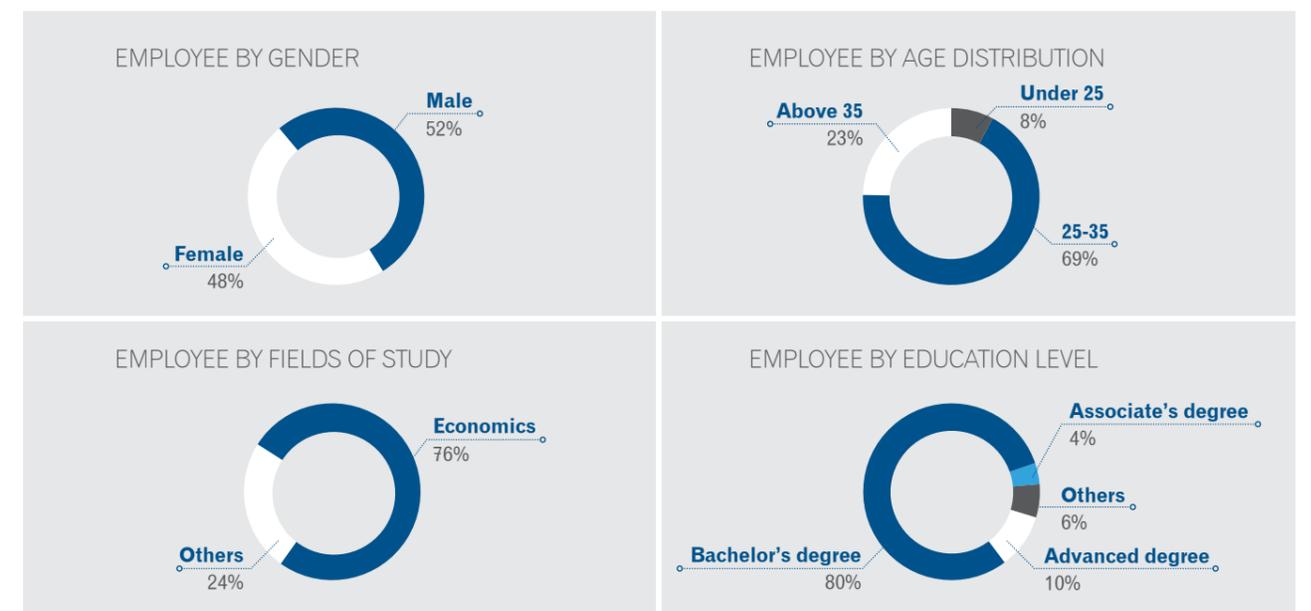
with special activities. Thanks to this trip, HSC members reengaged with the culture and spirit of HSC - enthusiasm, readiness and proactiveness. In doing so, team members were able to reflect on questions such as "Who are we?", "What are our goals?" and "What do we need to care about?". During the trip, staff were encouraged to recognize their roles, values, actions and corresponding impact on their surroundings as well as understand the position and influence of HSC in the market, community and society besides profitable objectives in business.

### Performance evaluation

HSC evaluates the performance of its employees based on the methodology of Management by Objective - MBO. According to this mechanism, each staff is set specific KPIs to assess the outcome of their work, based on their level of responsibility. Thanks to this methodology, employees are more autonomously aware of their objectives and their personal opinions are also discussed during the process of self-evaluation.

### Employee statistics

Year	2011	2012	2013
Permanent employee	333	348	353



## POSITIVE INFLUENCES ON INDUSTRY

“ As a leading professional securities firm in Vietnam, we see it as part of our responsibility to contribute to the construction and development of the stock market in Vietnam as well as being a positive force in the global and regional markets. ”

### Based on this, HSC participated in the following international events:

- The forum: “Channel NewsAsia Luminary Leadership” in Singapore as guest speaker, bringing and sharing our valuable experience to bear on a variety of topics, such as “Making the case for change” and “Innovative Green Business Practices”.
- The Greater Mekong Investment forum in Thailand to discuss the following issues: The Greater Mekong Subregion and ASEAN Economic Community: Convergence, Opportunities and Challenges; The Development of Capital Markets in Laos and Cambodia; Vietnam’s Renewed Momentum.
- The Asia Securities forum in Taiwan in 2013 which covered the following issues: Transnational cooperation, prospects of securities industry, cooperation amongst Asian capital markets - Opportunities and Challenges, Investment encouragement and promotion; and in 2014 as a presenter of the topic: “The Capital Market in Vietnam”.
- The Channel NewsAsia’s Annual Luminary Awards event in Singapore.

## POSITIVE INFLUENCES ON INDUSTRY

Through these events, we had the opportunity to update ourselves on global best practices, and further our industry knowledge and understanding. This does not only apply to our operations but also offer recommendations to the authorities and contribute to developing the securities market of Vietnam and its further expansion in the world. HSC is proud to have HSC’s representatives as the Vice President of Vietnam Association of Securities Business, Vice President of VBMA, and Vice President of CEO Club. Thanks to the knowledge and expertise of our foreign managing directors, HSC actively showcases its recommendations to the SSC, the stock exchanges and VSD as well as cooperating with these institutions to implement various projects in order to bring new products to the market, such as margin trading and derivative products in the future.

In the stock capital market, HSC contributed to building the HOSE Index in order to reflect market information, meet the demands for indices available for trading and increase investment opportunities in accordance with indices. In the seminar “Introduction to HOSE Index”, HSC participated as a guest speaker. HSC also participated in market development activities such as an annual discussion forum held by the SSC.

In the bond capital market, HSC is a co-founder and active member of the VBMA, of which HSC has representatives in the permanent council. This is the first association in the bond arena in Vietnam to actively facilitate the Ministry of Finance and SSC in establishing a network of primary bond houses and building the infrastructure for market makers. In 2013, HSC participated in a range of activities in the bond market such as:

- The seminar: “Stabilizing macro economy and sustainability of Vietnam bond market”.
- Three training courses on the issuance of corporate bond and risk management for members of VBMA, as one of the organizing committees.

- Representing VBMA to organize the seminar: “Draft decree on credit rating agency” for Vietnam in cooperation with the Ministry of Finance.
- Representing VBMA to organize the seminar: “Vietnam bond market development” with HNX.

In our capacity to deliver information and knowledge to investors, HSC organized various seminars, in which we updated private and institutional investors from both domestic and international markets, with the latest information and trends. These activities were:

- A presentation on “Overview of Vietnam securities market” in visiting lectures of Fulbright Economy Teaching Program (FETP) Vietnam.
- Managing the organizing committee of “Vietnam - Japan entrepreneurial connections” (CEO Club) in cooperation with Japan Business Association of Ho Chi Minh City (JBAH). This program was a bridge for enterprises in both countries to assemble, meet, exchange and seek cooperation opportunities.
- The Corporate Governance Workshop in June @ RMIT to showcase experiences of multinational companies in terms of Corporate Governance compared to the orientation of Vietnam enterprises, participated as speaker.
- Participating in Oxford Club’s investment tour to SE Asia.

Alongside our effort of being transparent in information and financial health on the media, HSC organized Analyst conferences twice per year for journalists and investment funds. Through this activity local and foreign investors could have beneficial and trustworthy information which supports their investment activity.

“ Regarded as a leading financial firm in the Vietnamese stock market, with over 10 years of business behind us, like other major financial institutions in developed markets worldwide, HSC has begun to define its long-term goals for the growth of itself alongside those of the society. We realize it is part of our responsibility to actively contribute to the construction and development of the environment and the society in Vietnam. ”



Thanks to our desire to enhance human capital quality for enterprises in the future, HSC's social responsibility activities have focused on supporting young people to improve their skills, creating opportunities to get acquainted with the business environment, as well as creating a healthy and stimulating environment in which they can thrive.

Philanthropy, sharing and giving aid to people in our society who are less fortunate have become part of our tradition and legacy at HSC.

**A hundred years of nurturing humanity**

Besides the remarkable achievements in business, we are also proud of the less tangible, but valuable contributions we have made to society, through nurturing the future generation of leaders. Under the theme, “A hundred years of nurturing humanity”, we cooperated with entities on moral education and the development of soft skills, as well as working with non-profit and non-Governmental organizations on mentoring projects. The goal of these initiatives were to help young people get a their first foot on their career ladder. These activities included:

- Cooperating with and sponsoring an international student-run organization AIESEC - <http://aiesec.vn/vi/>: This is a global organization for young people, which actively contributes to the global development leadership programs. In 2014, HSC became an official partner as well as lending our support in terms of training its Management Team and generations of students.

- Sponsorship for Living Values Educational Program (LVEP) - <http://www.giatricuocsong.org/>: This program has been running in 80 countries all over the world with the aim of assisting its participants in the discovery of their values, and helping them to more thoroughly understand the spiritual needs and positive living values of themselves and others. HSC's CEO visited the LVEP's headquarters in Vietnam to discuss educational values. On the 10<sup>th</sup> Anniversary, May 16<sup>th</sup> 2013, HSC donated VND 100 million to LVEP to initiate some of these activities.
- Sponsoring for Start-up Camp - Light Up 2013 - a project run by Viet Youth Entrepreneurs (VYE) - <http://vye.vn/> on August 14<sup>th</sup> 2013. A representative of HSC took part in the judging panel in the final round of the Start-up Plan competition. In the closing ceremony, Mr. Johan Nyvene - CEO of HSC also joined in and shared his thoughts on entrepreneurship with young people.
- HSC's 4<sup>th</sup> consecutive year in association with Sponsors for Educational Opportunity-Interns in Vietnam (SEOIIV) organization, <http://seo-vietnam.org/>: This is a nonprofit international organization which operates to build an effective network and endorse the development of leadership potential among young and talented Vietnamese students from well-known universities all around the world.
- Supporting Business Link Vietnam <https://www.facebook.com/BusinessLinkVN> to implement the program “From Corporate Culture to Career Development - How ‘U’ can be ‘Us’?”: The program was to help participants understand corporate culture, as well as self development within organizations, which facilitates the accumulation of practical knowledge and experience.
- Participating in the “Career Talk” Forum [http://ueb.edu.vn/newsdetail/tb\\_tcnh/10523/career-talk-lam-chu-hay-lam-sep-%C4%91uong-di-den-thanh-cong.htm](http://ueb.edu.vn/newsdetail/tb_tcnh/10523/career-talk-lam-chu-hay-lam-sep-%C4%91uong-di-den-thanh-cong.htm), with the theme of “Being an owner or a boss - A path to success” organized by Economics University - National University of Hanoi



Seminar for students from Biz Link Vietnam

on February 20<sup>th</sup> 2014, CEO of HSC participated as a speaker to help the students thoroughly understand their orientation, as well as answer their questions and advise on how to deal with challenges that they may encounter in their career path.

- Participating in “Career Day” programs at some universities such as Career Day - FTU 2013 organized by University of Foreign Trade on April 6<sup>th</sup> 2013. HSC had a booth to introduce the Company, its recruitment and job activities.

## POSITIVE INFLUENCE ON COMMUNITY (continued)



### We care

Sponsoring for Light from the Heart Program: This program supports eye operations run by a charity group - Yenlang.net associated with An Sinh Hospital's international eye department. With HSC's sponsorship, the program was able to examine and operate on the eyes of 37 patients. After the operation, the patients soon recovered and gained their vision back. Thanks to this, they were able to return to their normal lives with a strong belief in a better future.

Supporting and donating to people in flooded areas in a charity program of "Relief rushed to central Vietnam" organized by HNX, VSD and Vietnam Investment Review (VIR). HSC also sent its representatives directly to join the relief group at Quang Binh Province.

Donating eight computers to Quang Hung Secondary School, Kien Xuong District, Thai Binh Province. The computers, placed at the Computer Room, were for the students living in such poor and remote area that lack proper learning facilities. Through this activity, HSC continues to motivate and facilitate misfortunate and ambitious students for their continued development and learning.



HSC donates 08 computers to Quang Hung Secondary School, Kien Xuong District, Thai Binh Province



HSC sponsors for Light from the Heart Program



HSC donates to Urgent Relief for Central Vietnam

" ...sharing and giving aid to people in our society who are less fortunate have become part of our tradition and legacy at HSC. "



CORPORATE

GOVERNANCE

## BOARD OF DIRECTORS



### 1 Mr. DO HUNG VIET

Position:	Chairman Independent member of the Board of Directors
Date of first appointment:	June 30 <sup>th</sup> 2007
Date of reappointment:	April 8 <sup>th</sup> 2011
Duration:	6 years 6 months
Age:	59 years old
Education level:	Bachelor of Economics - Faculty of Banking
Employment history:	
2011 - present	Chairman of the Board of Directors of HSC
2010 - present	Vice Chairman of VASB
2007 - 2011	Vice Chairman of the Board of Directors of HSC
2006 - 2010	Member of the Supervisory Board of VASB
2003 - 2006	Director of HSC
1998 - 2002	Fund Manager of Ho Chi Minh City Investment Fund for Urban Development (HIFU)
Present positions:	
At listed companies:	Chairman of the Board of Directors of HSC
At other companies:	No



### 2 Mr. LE ANH MINH

Position:	Vice Chairman Non-executive member of the Board of Directors
Date of first appointment:	June 30 <sup>th</sup> 2007
Date of reappointment:	April 8 <sup>th</sup> 2011
Duration:	6 years 6 months
Age:	44 years old
Education level:	Master of Business Administration
Employment history:	
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
Present positions:	
At listed companies:	<ul style="list-style-type: none"> <li>Vice Chairman of the Board of Directors of HSC</li> <li>Member of the Board of Directors of Vietnam Dairy Products JSC (Vinamilk)</li> </ul>
At other companies:	Deputy CEO cum CFO of Dragon Capital Group (DCG)



### 3 Mr. NGUYEN THANH LIEM

Position:	Vice Chairman Non-executive member of the Board of Directors
Date of first appointment:	April 8 <sup>th</sup> 2011
Duration:	2 years 8 months
Age:	55 years old
Education level:	Master of Business Administration
Employment history:	
2010 - present	Deputy Director of Ho Chi Minh City Finance and Investment State-owned Corporation (HFIC)
2007 - 2009	Deputy Director of Ho Chi Minh City Investment and Fund for Urban Development (HIFU)
2006 - 2007	Head of Pricing, 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
Present positions:	
At listed companies:	Vice Chairman of the Board of Directors of HSC
At other companies:	Deputy Director of Ho Chi Minh City Finance and Investment State-owned Corporation (HFIC)

### 4 Mr. PHAM NGHIEM XUAN BAC

Position:	Member Independent member of the Board of Directors
Date of first appointment:	December 2 <sup>nd</sup> 2002
Date of reappointment:	June 30 <sup>th</sup> 2007
Date of second reappointment:	April 8 <sup>th</sup> 2011
Duration:	11 years and 1 month
Age:	52 years old
Education level:	Master of Business Administration, Bachelor of Law
Employment history:	
1999 - present	CEO of Vision & Associates Company
1989 - 1999	Deputy Director of Invest Consult Group Vietnam
Present positions:	
At listed companies:	Member of the Board of Directors of HSC
At other companies:	<ul style="list-style-type: none"> <li>CEO of Vision &amp; Associates Company</li> <li>Chairman of the Board of Managing Partners of Vision &amp; Associates Legal</li> <li>Chairman of the Board of Directors of Cong Huong JSC</li> <li>CEO of Song Xuan Company Limited</li> </ul>



### 5 Mr. HOANG DINH THANG

Position:	Member Non-executive member of the Board of Directors
Date of first appointment:	June 30 <sup>th</sup> 2007
Date of reappointment:	April 8 <sup>th</sup> 2011
Duration:	6 years 6 months
Age:	51 years old
Education level:	Doctor of Economics
Employment history:	
2003 - present	Manager of Planning Department at Ho Chi Minh City Finance and Investment State-owned Company (HFIC)
1997 - 2003	Deputy Manager of Planning Department at Ho Chi Minh City Investment and Fund for Urban Development (HIFU)
1993 - 1997	Investment Specialist, IMC Company
1990 - 1993	Deputy Head of Investment Department, Liksin Co.
Present positions:	
At listed companies:	<ul style="list-style-type: none"> <li>Member of the Board of Directors of HSC</li> <li>Member of the Board of Directors of Binh Chanh Construction Investment Shareholding Company (BCCI)</li> </ul>
At other companies:	Manager of Planning Department at Ho Chi Minh City Finance and Investment State-owned Company (HFIC)



### 6 Mr. JOHAN NYVENE

Position:	Member Executive member of the Board of Directors
Date of first appointment:	June 30 <sup>th</sup> 2007
Date of reappointment:	April 8 <sup>th</sup> 2011
Duration:	6 years 6 months
Age:	48 years old
Education level:	Bachelor of Banking and Finance
Employment history:	
2007 - present	CEO of HSC
2005 - 2007	Branch Manager of HSBC in Hanoi
1998 - 2005	Director of Global Banking at HSBC in Ho Chi Minh City
1990 - 1998	Director of International Banking at Corestates - First Union Bank, Philadelphia, USA
Present positions:	
At listed companies:	CEO of HSC
At other companies:	No

## BOARD OF DIRECTORS



### 7 Mr. TRINH HOAI GIANG

Position:	Member Executive member of the Board of Directors
Date of first appointment:	April 8 <sup>th</sup> 2011
Duration:	2 years 8 months
Age:	44 years old
Education level:	Master of Business Administration
Employment history:	
2007 - present	Deputy CEO - Chief Operating Officer 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, Vietnam
1995 - 2001	Foreign Exchange Dealer of Vietcombank Treasury, Vietnam
Present positions:	
At listed companies:	Deputy CEO - Chief Operating Officer of HSC
At other companies:	No

## SECRETARY OF THE BOARD OF DIRECTORS



### Ms. THAN THI THU DUNG

Position:	Secretary of the Board of Directors
Date of appointment:	March 16 <sup>th</sup> 2006
Duration:	7 years and 8 months
Age:	39 years old
Education level:	Bachelor of Economics
Employment history:	
2006 - present	Secretary of HSC
2005 - 2006	Secretary of the Board of Directors of Saigon Health Investment Corporation
2000 - 2005	CEO Assistant at Hoang Lan Ltd. Company
Present positions:	
At listed companies:	Secretary of the Board of Directors of HSC
At other companies:	No

# SUPERVISORY BOARD



## 1 Mr. VO VAN CHAU

Position: Chairman of the Supervisory Board  
 Date of first appointment: December 2<sup>nd</sup> 2002  
 Date of first reappointment: June 30<sup>th</sup> 2007  
 Date of second reappointment: April 8<sup>th</sup> 2011  
 Duration: 11 years 1 month  
 Age: 60 years old  
 Education level: Bachelor of Economics  
**Employment history:**  
 2013 - present: Consultant to the Board of Management of Kien Long Bank  
 2009 - 2013: Consultant to the Board of Management of Trust Bank  
 2002 - 2009: General Director of Phuong Dong Commercial Bank  
 1993 - 2002: Branch Director of Asia Commercial Bank  
**Present positions:**  
 At listed companies: Chairman of the Supervisory Board of HSC  
 At other companies: Consultant to the Board of Management of Kien Long Bank

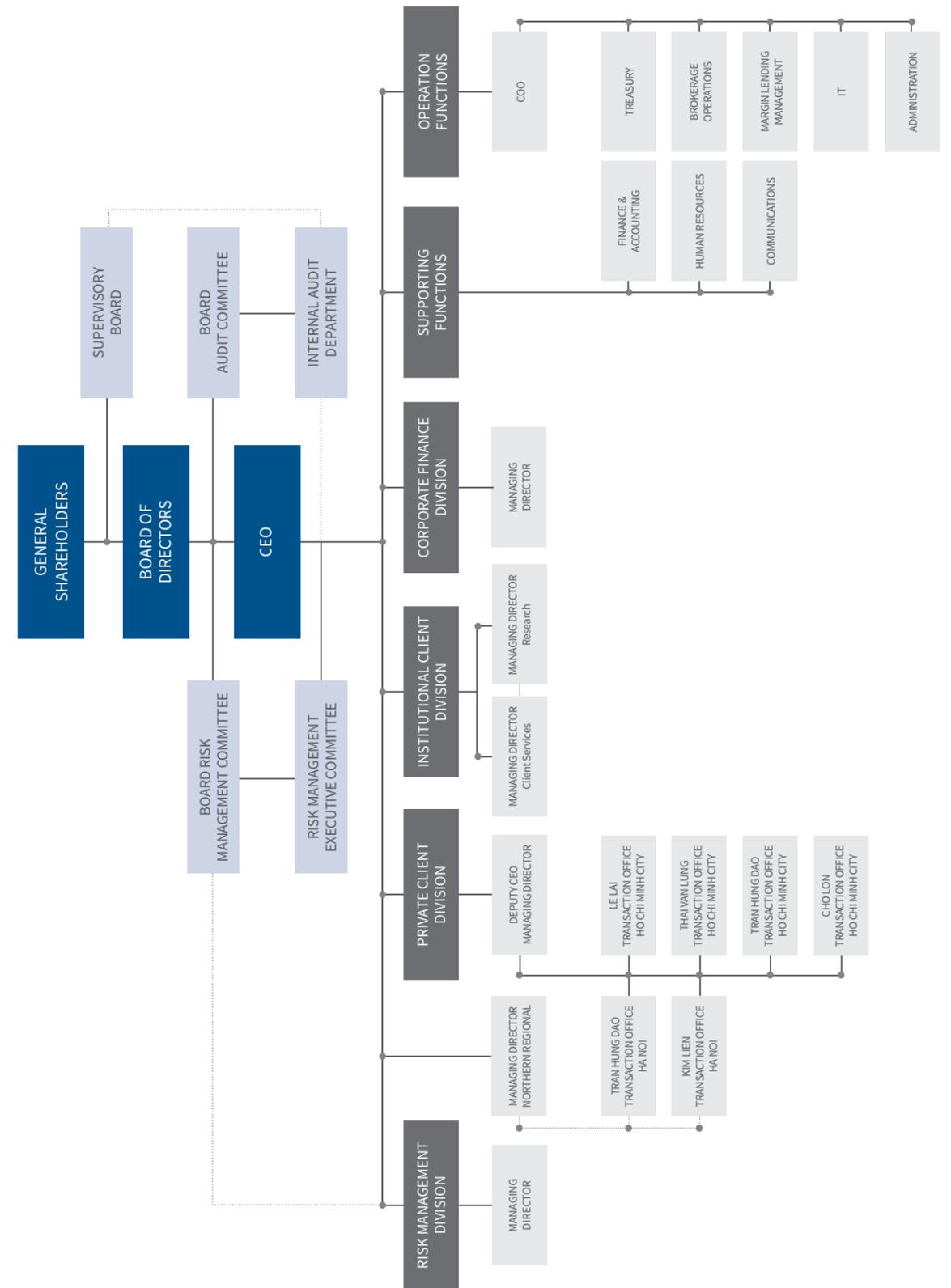
## 2 Mr. DOAN VAN HINH

Position: Member of the Supervisory Board  
 Date of first appointment: June 30<sup>th</sup> 2007  
 Date of reappointment: April 8<sup>th</sup> 2011  
 Duration: 6 years 6 months  
 Age: 60 years old  
 Education level: Bachelor of Economics  
**Employment history:**  
 2007 - present: Chief Financial Officer of Saigon Co-op J.S Investment and Development Company  
 1997 - 2007: Chief Accountant of Saigon Co-op J.S  
**Present positions:**  
 At listed companies: Member of the Supervisory Board of HSC  
 At other companies: Chief Financial Officer of Saigon Co-op J.S Investment and Development Company

## 3 Ms. DANG NGUYET MINH

Position: Member of the Supervisory Board  
 Date of appointment: April 26<sup>th</sup> 2013  
 Duration: 8 months  
 Age: 26 years old  
 Education level: Bachelor of Economics and Business Administration  
**Employment history:**  
 2009 - present: Senior Financial Analyst of Dragon Capital Markets Limited  
**Present positions:**  
 At listed companies: Member of the Supervisory Board of HSC  
 At other companies: Senior Financial Analyst of Dragon Capital Markets Limited (DC)

# ORGANIZATION CHART



## MANAGEMENT TEAM



### 1 Mr. JOHAN NYVENE

Position:	CEO
Date of first appointment:	May 15 <sup>th</sup> 2007
Age:	48 years old
Education level:	Bachelor of Banking and Finance
Employment history:	
2007 - present	CEO of HSC
2005 - 2007	Branch Manager of HSBC in Hanoi
1998 - 2005	Director of Global Banking at HSBC in Ho Chi Minh City
1990 - 1998	Director of International Banking at Corestates - First Union Bank, Philadelphia, USA

### 2 Mr. TRINH HOAI GIANG

Position:	Deputy CEO - Chief Operating Officer
Date of first appointment:	May 15 <sup>th</sup> 2007
Age:	44 years old
Education level:	Master of Business Administration
Employment history:	
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, Vietnam
1995 - 2001	Foreign Exchange Dealer of Vietcombank Treasury, Vietnam



### 3 Mr. LE CONG THIEN

Position:	Deputy CEO Managing Director - Head of Brokerage and Sales, Private Client Division
Date of first appointment:	March 26 <sup>th</sup> 2012
Age:	45 years old
Education level:	Master of Business Administration
Employment history:	
2012 - present	Deputy CEO - Managing Director - Head of Brokerage and Sales, Private Client Division of HSC
2010 - 2012	Managing Director - Head of Brokerage and Sales, Private Client 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 KRUIJER

Position:	Managing Director - Co-head of Institutional Client Division
Date of first appointment:	July 26 <sup>th</sup> 2007
Age:	50 years old
Education level:	Master of Finance
Employment history:	
2007 - present	Managing Director - Co-head of Institutional Client 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

Position:	Managing Director - Co-head of Institutional Client Division
Date of first appointment:	March 1 <sup>st</sup> 2008
Age:	49 years old
Education level:	Bachelor of Commerce
Employment history:	
2008 - present	Managing Director of Research Department - Co-head of Institutional Client 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. TRINH THANH CAN

Position:	Managing Director - Head of Corporate Finance Division
Date of first appointment:	July 12 <sup>th</sup> 2011
Age:	35 years old
Education level:	Bachelor of Business Administration
Employment history:	
2011 - present	Managing Director - Head of Corporate Finance Division of HSC
2007 - 2011	Head of Research, Head of Investment of Viet Capital Securities
2006 - 2007	Investment Manager of Viet Capital Asset Management
2005 - 2006	Corporate & Institutional Banking Relationship Manager of HSBC Vietnam
2003 - 2005	Investment Associate of VinaCapital
2002 - 2003	Wholesale Mortgage Account Manager at Downey Saving and Loan, USA
2000 - 2002	Research Analyst at Tower Asset Management, USA

## MANAGEMENT TEAM



### 7 Mr. ARNOLD V. PANGILINAN

Position:	Managing Director - Head of Risk Management Division
Date of first appointment:	November 12 <sup>th</sup> 2012
Age:	49 years old
Education level:	Bachelor of Business Administration
Employment history:	
2012 - present	Managing Director - Head of Risk Management Division 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

Position:	Managing Director - Head of Northern Region
Date of first appointment:	August 17 <sup>th</sup> 2007
Age:	39 years old
Education level:	Bachelor of Finance
Employment history:	
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



The Best Brokerage House in Vietnam	The Asset
Top 10 Government Bond Trading Members	HNX
Top 10 Securities firms holding the biggest brokerage market share on HOSE	HOSE
Top 50 Listed Companies in Vietnam	Forbes Vietnam
Outstanding HNX member 2013	HNX
Outstanding enterprise in Ho Chi Minh City 2013	Ho Chi Minh City People's Committee
Community and two individuals with excellent performance in many years, positive contribution to the city's emulation movement	Ho Chi Minh City People's Committee
Community with excellent performance in 2012	SSC
Gold Award for "Written text" category and other accolades in Financial Services category in Annual Report Competition (ARC) 2013	Mercomm Inc
Silver Award in Financial - Capital markets and 3 other accolades at international Annual Report competition LACP 2012 Vision Awards	LACP
Top 50 Best Annual Reports and Best Presented Sustainability Reports in Vietnam	HOSE

In 2013, the HSC's IT Division sustained its role as a positive influence in the workplace and the industry with the core mission of delivering the most effective and efficient investment solutions to our clients. This year we led the way in upgrading and implementing our industry-leading processes and systems. Our systems are designed to bolster the Corporate Governance of the Board of Directors as well as be a symbol of our commitment to best practices.

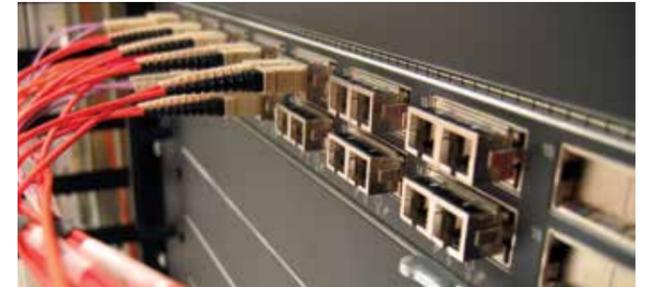
In 2013, HSC adopted to the global standard ISMS - ISO 27001 - the best-known standard ISMS, to ensure confidentiality, integrity and availability of the enterprise information, thus winning the trust and confidence of our clients. Furthermore, the new system has streamlined workflow, making our services more stable and secure for all stakeholders.

We have also adopted the COBIT 5 (Control Objectives for Information and Related Technology), the only business framework for the governance and management of enterprise IT. This evolutionary framework provides globally accepted principles, analytical tools and models to help foster trust in and value from, information systems.

Alongside these, we have improved credit approval processing and order placement for clients. Implementing STP (Straight Through Processing) for order management means faster, error-free responses for our institutional clients. We also added several online services for client convenience, for example online shareholder alerts, online cash transfers, and rights subscriptions.

These client-facing improvements in technology mean we can provide our clients with a superior service, one that goes above and beyond the industry norm. It illustrates our commitment to developing client-focused solutions in every area of our business and in doing so, not only do we benefit from improved customer satisfaction, but across the industry, client expectations in services rise, thus creating a more competitive and healthy industry.

In addition to these systems, we have tapped into global network players via international standard protocols and interfaces, such as Bloomberg, Thomson Reuters, OMGEO, and SWIFT. This has helped consolidate HSC's infrastructure, creating robust foundations on which to grow and develop other products and services that might benefit the industry.



Together with the relevant authorities and bodies, we are in talks to design, implement and test a range of new products and services, for example ETF with HOSE, STP with VSD, and a Bloomberg-HNX connection for bond-trading. The sharing of knowledge and skills with the broader market is something we feel impassioned to do to achieve our long term goals and strategies in business technology leadership, as well as to better the industry as a whole. Connecting with global networking vendors is the quickest and most effective way of connecting HSC with global players.

Internally, we have invested in hard-skills training for our staff, to ensure our employees are at the top of their peak of their profession. Looking into 2014, some of the initiatives we have in the pipeline are:

- A new Customer Relationship Management program to better understand and serve clients;
- Application of ITIL - ISO 20000 framework to streamline our service management processes for higher quality services;
- Engaging an enterprise information architect who can help us fulfill the future demands of the business and ensure we continue to inspire confidence and leadership from our clients and peers.

# RISK MANAGEMENT

At HSC, our risk management is patterned on a best practice approach which is in line with the industry's business processes globally. This involves a structured, consistent and transparent approach in order to identify, control and mitigate significant risks that may affect achieving our business objectives. Aside from the obvious motives behind such a policy, by adopting a risk-based control approach to every aspect of our business, we put ourselves in a position of positive influence not only within the Company's internal environment but, more broadly to prospective clients, shareholders as well as our regulators.

## ERM

In HSC's effort to comply with the prevailing regulations and to enhance its Corporate Governance and Risk Management processes within the Company, the ERM Project was undertaken to address the need of a formal and a systematic risk management function. As such, HSC engaged PwC to independently assess HSC's risk profile and guide the Company in establishing its Risk Management Division.

### Major accomplishments of this project were:

1. The establishment of Risk Management Division and the subsequent employment of a senior level executive with a cross-cultural background and many years of finance and risk-related professional experience.
2. Through the ERM Project, a Corporate Risk Profile was identified to address relevant risks in Operations, Regulations, Market, IT and in Human Resource Functions, that need urgent attention.

Under this Risk Profile, the following major actions, policies and procedures were undertaken:

- a. The establishment and implementation of Limit of Authority (LOA) guidelines to address the lack of a formal approval process particularly, in the investment strategy of the Company;
- b. The establishment of the Board Risk Management Committee (BRMC) and its Terms of Reference (TOR) on the Board level as an oversight committee that looks after the risk and compliance-related issues of the Company. Its main purpose is to assist the Board in its supervision of:

- HSC's risk governance structure;
  - HSC's risk management and risk assessment guidelines and policies regarding market, credit and liquidity and funding risk and such other risks as necessary to fulfill the Committee's duties and responsibilities;
  - HSC's risk tolerance;
  - HSC's capital, liquidity and funding, and
  - Assess performance of the Chief Risk Officer.
- c. The establishment of the Risk Management Executive Committee (RMEC) and its TOR on a management level whose main function is to assist the Board in particular the BRMC in its general supervision of the investments of the Company and the periodic evaluation of the Company's market, credit and operational risk;
  - d. Formal adoption and implementation of the Company's Code of Conduct;
  - e. The need for an IT security and recovery plan in its trading platform which was addressed by the ISO/IEC 27001:2005 certification process. For this purpose, the Company was the first security firm to be awarded this Certification;
  - f. The development and subsequent implementation of various policies and procedures (i.e. in Finance and Accounting, Human Resources, Operations, Administration and other related functions).
3. The establishment of an Independent Audit Function under the Board, called the Board Audit Committee (BAC). The main mission of the BAC is to provide independent, objective assurance and consulting services designed to add value and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
  4. The launch of HSC's ERM Manual to effectively manage uncertainty. It is a comprehensive, systematic approach for helping the Company identify events and measure, prioritize and respond to the risks challenging our most critical objectives and related projects, initiatives and day-to-day operating practices.
  5. The formulation of HSC's Risk Management Policy and Risk Strategy Framework. HSC has adopted an enterprise wide framework that incorporates a system of risk oversight, risk management, compliance and

internal control designed to identify, assess, monitor and manage risks consistent with the generally accepted risk management principle which was laid down by the recognized Consultant (PwC). HSC applies risk management in a well-defined, integrated framework that promotes awareness of risks, understanding of the Company's risk tolerances that are workable and will strictly adhere to the relevant stakeholders. This enables a systematic approach to risk identification, analysis of the well-defined risks, leverages of any opportunities and provides control strategies to manage, measure, and avoid the relevant risks.

## 2013

Building on the foundations laid by the ERM, internally, we have tried to live by our commitment to raise industry standards and best practice, through adopting a number of policies and changes aimed at improving our immediate work environment. The first was the employment of a multicultural senior executive in the Risk Management Division who has brought his technical and professional expertise to the risk identification and mitigation process. We implemented personal mentoring and leadership training by the senior executives to broaden more junior employees' experience and better prepare our employees for their future careers in the industry. We have made efforts to increase our teams' sense of job ownership with the aim of empowering staff to take greater pride and responsibility in their work within the Risk Management Division and the Company as a whole. All employees are now familiar with their respective responsibilities as risk owners themselves. The ethical standards of doing business no longer confides with only a few individuals but it is everyone's responsibility within the organization.

At a management level, some of the key policies that have been introduced and implemented were: HSC's Code of Conduct; Limit of Authority Guidelines; Terms of References: Board Risk Management Committee at Board level; Risk Executive Management Committee at Management Level, ERM Level and Risk Policy Statement and Framework.

Beyond the Risk Management Division's role in providing a second layer of defense in terms of risk controlling measures within the Company, it also enhances the image and reputation of the Company as one of the leading security firms. Through good Corporate Governance and as a pioneer in Risk Management implementation, we have

# RISK MANAGEMENT

shown ourselves to be transparent and confident in our actions, and are pioneering a new way forward in Vietnam's financial industry.

Also this year, we appointed KPMG Vietnam Ltd and engaged them as our Co-sourced Internal Auditor. HSC's Board has approved the establishment of an Independent Audit Function by setting up an independent committee (Board Audit Committee). This will be completely independent and provide assurance to the shareholders that we are complying with the applicable laws and regulations.

Lastly, as a measure of our ongoing commitment to best practice we have initiated a new project, the BPI Project which aims to apply the same philosophy to all our business processes. Risk is inherent to our business' operations, thus, we aim to further enhance our business processes by factoring risk in to the future development of these processes. We seek to strike a balance between maximizing business opportunities within the framework of our strategy, while identifying, assessing and minimizing the risks involved.

“ We implemented personal mentoring and leadership training by the senior executives to broaden more junior employees' experience and better prepare our employees for their future careers in the industry. ”

# RISK MANAGEMENT

(continued)

## KEY RISKS OF HSC AND HOW THESE ARE MANAGED

“ At HSC, our risk management is patterned on a best practice approach which is in line with the industry’s business processes globally. This involves a structured, consistent and transparent approach in order to identify, control and mitigate significant risks that may affect achieving our business objectives. ”

Below is an overview of the main strategic, operational, compliance and financial risks that HSC faces and how these are managed. While these are considered the most relevant to the HSC, other risks may have a similar or more severe impact on the Company.

### Market Risks (Strategic)

**Possible Impact:** Our markets may decline, temporarily or structurally, and changes in market conditions may lead to increased competition. These risks can be caused by economic downturns, Government austerity programs, changes in political priorities or in legislation and regulations, political instability, consolidation of clients and changes in tendering procedures. This all may result in lower revenues and margins.

**Mitigation:** At HSC, we nurture close client relationships and fostering strict compliance according to our regulator’s requirements. Our proximity to both clients and our regulators enables us to anticipate changes in market conditions at an early stage and to adjust to strategic and long term developments in a timely way.

### Strategic Risks

**Possible Impact:** Growth through acquisition is part of HSC’s long-term strategy and it involves several risks. Balance sheet misrepresentations, insufficient backlog and unforeseen claims may have an adverse effect on revenues and margins. Integration risks and lack of retention of key people may negatively impact performance.

**Mitigation:** Acquisition processes are managed carefully by the Board and by the local management. This includes a thorough analysis of strategic fit, an assessment of management and reputation, and extensive due diligence, including review of backlog and human resources policies. Contracts include representations, warranties and escrows to cover guarantees, while employment and non-compete contracts, as well as stock options (ESOP), are used for retention purposes for its key employees.

### Reputational Risks

**Possible Impact:** The Company operates its business under the name of HSC as its brand name. HSC has been the recipient of many accolades both locally and internationally which has allowed us to build a strong brand name. However, as a consequence, any reputational damage may have an impact beyond local markets and can potentially seriously affect our reputation and business. Reputational issues are typically linked to other risks the Company faces, such as mistakes in trading, non-compliance with laws and regulations or business principles, health & safety issues, client or supplier issues.

**Mitigation:** HSC has quality systems in place, a compliance program, a code of conduct, a client focus program and criteria for selection of partners, all aimed at minimizing the risks of business failures and reputational issues. In addition, external communication on major events or issues is centralized with the CEO’s discretion with Board’s consultation process to manage our reputation effectively.

### Project Risks (Operational)

**Possible Impact:** HSC works on certain projects annually to efficiently serve our internal and external clients. Although in most cases project risks are limited, projects may incur serious cost overruns, delays, errors, omissions, which may lead to substantial claims while contractual conditions may result in considerable liabilities.

**Mitigation:** Risk management involves project and client approval procedures, including a go/no go process and review of contract conditions; regular project reviews; selection, training and performance reviews of people; procedures for project management; quality management systems; procedures for claims reporting and management; and a global insurance policy.

Project risks and claims are assessed on a periodic basis, and if required, provisions are taken to cover risks. All claims with a potential impact above a certain size or limit are monitored at corporate level (BRMC, Supervisory Board, and Board Audit Committee) and discussed quarterly at the Board Meeting.

### IT Risks (Operational)

**Possible Impact:** IT is fundamental to HSC’s daily operations and will increase in significance given the signs of economic recovery. IT is critical to supporting our processes as well as to our service portfolio. Client and market developments will increasingly rely on providing services to clients with integrated IT related tools, applications or services (on-line trading). Communication and collaboration with all stakeholders require properly structured and effectively operating information and communication technology systems that cater well to the needs of an increasingly mobile and socially connected workforce, as well as, technology trend of bring your own devices or software. HSC must guard against the risks of loss or corruption of critical/confidential data, disruption of

# RISK MANAGEMENT

(continued)

productivity, unreliable reporting of financial information and avoid expenses to remediate these impacts.

**Mitigation:** Mitigation runs through three lines: people, process / structure and technology. The first line of defense is people, both our own staff and the staff of partner companies with whom we collaborate on projects. Risk awareness surrounding IT use, (social) network use, and the proper guarding of access on how to enter our networks is the most important element in this defense. Our people and partners are bound by confidentiality across the networks and communications channels used by the Company. This is governed by the HSC’s General Business Principles, Public Disclosure Policy, Media Manual and Social Media Policy. The second line of defense, process / structure, relates to both preventive and repressive controls: signature authority to IT related investments and expenses (including client facing ICT), physical and logical security, backup of data and restore testing and business continuity plans and disaster recovery testing are the most important elements of this line of defense. Operating structure / process often requires specific technology which we procure in close cooperation with technology providers.

ISO/IEC 27001:2005 Certificate is evidenced by our serious adherence on strict IT Policy on ISMS which strengthens our IT information security and to meet the requirements in data Confidentiality, Integrity and Availability.

### Compliance Risks

**Possible Impact:** Failure to meet regulatory compliance may expose the Company to fines, other penalties and reputational risks. As a leading security firm, HSC may be subjected to strict scrutiny from our regulators who expect the Company to lead compliance awareness in the market.

**Mitigation:** HSC has General Business Principles and related policies and procedures in place and a compliance and internal control program which includes stimulating awareness of employees regarding business dilemmas and monitoring and reporting on Compliance, and Integrity or other issues. The Chief Risk Officer and its Risk Management Division team are pro-actively assisting the Company and its employees with compliance awareness initiatives in respect to any existing and newly issued regulations which are relevant to company’s business operations.

# SHAREHOLDERS' INFORMATION

## SHARE OWNERSHIP

No.	Name	Position	Number of shares owned as of 14/03/2013		Number of shares changed during the period				Number of shares owned as of 07/03/2014	
			Quantity	Percentage	Increase in shares due to the issuance of bonus shares (*)	Increase in shares due to the ESOP 2013 (**)	Total shares changed during the period	Percentage	Quantity	Percentage
<b>BOARD OF DIRECTORS</b>										
1	Do Hung Viet	Chairman	94,375	0.0936%	23,593	-	23,593	0.0185%	117,968	0.09%
2	Nguyen Thanh Liem	Deputy Chairman	-	-	-	-	-	-	-	-
3	Le Anh Minh	Deputy Chairman	35,175	0.0349%	8,793	-	8,793	0.0069%	43,968	0.03%
4	Hoang Dinh Thang	Member, BOD	-	-	-	-	-	-	-	-
5	Pham Nghiem Xuan Bac	Member, BOD	530,540	0.5261%	132,635	-	132,635	0.1042%	663,175	0.52%
6	Trinh Hoai Giang	Member, BOD	259,708	0.2575%	64,927	80,000	144,927	0.1139%	404,635	0.32%
7	Johan Nyvene	Member, BOD	345,333	0.3424%	86,333	80,000	166,333	0.1307%	511,666	0.40%
<b>TOTAL</b>			<b>1,265,131</b>	<b>1.2545%</b>	<b>316,281</b>	<b>160,000</b>	<b>476,281</b>	<b>0.3743%</b>	<b>1,741,412</b>	<b>1.3684%</b>
<b>MANAGEMENT TEAM</b>										
1	Johan Nyvene	CEO	-	-	-	-	-	-	-	-
2	Trinh Hoai Giang	Deputy CEO	-	-	-	-	-	-	-	-
3	Le Cong Thien	Deputy CEO	107,300	0.1064%	26,825	80,000	106,825	0.0839%	214,125	0.17%
<b>TOTAL</b>			<b>107,300</b>	<b>0.1064%</b>	<b>26,825</b>	<b>80,000</b>	<b>106,825</b>	<b>0.0839%</b>	<b>214,125</b>	<b>0.1683%</b>
<b>SUPERVISORY BOARD</b>										
1	Vo Van Chau	Chairman, Supervisory Board	13,858	0.0137%	3,464	-	3,464	0.0027%	17,322	0.01%
2	Doan Van Hinh	Member, Supervisory Board	3,750	0.0037%	937	-	937	0.0007%	4,687	0.00%
3	Dang Nguyet Minh	Member, Supervisory Board	-	-	-	-	-	-	-	-
<b>TOTAL</b>			<b>17,608</b>	<b>0.0175%</b>	<b>4,401</b>	<b>-</b>	<b>4,401</b>	<b>0.0035%</b>	<b>22,009</b>	<b>0.0173%</b>
<b>CHIEF FINANCIAL OFFICER - SPOKESPERSON</b>										
1	Lam Huu Ho	Chief Financial Officer	35,083	0.0348%	8,770	40,000	48,770	0.0383%	83,853	0.07%
2	Pham Thi Phuong Lan	Spokesperson	30,000	0.0297%	7,500	20,000	27,500	0.0216%	57,500	0.05%
<b>TOTAL</b>			<b>1,455,122</b>	<b>1.4429%</b>	<b>363,777</b>	<b>300,000</b>	<b>663,777</b>	<b>0.5216%</b>	<b>2,118,899</b>	<b>1.6651%</b>

Note:  
 (\*) Issued 25,208,121 shares from the owners' equity for existing shareholders at the ratio of 4:1 (a new share for every four existing shares and the record date is October 29<sup>th</sup> 2013).  
 (\*\*) Issued 1,200,000 shares under the ESOP program in 2013.

## OWNERSHIP STRUCTURE OF MAJOR SHAREHOLDERS AND SECURITIES COMPANIES

No.	Category	Quantity of shares	Percentage of ownership	Number of shareholders	Shareholder structure (*)	
					Organization	Individual
1	Major Shareholders (above 5% ownership, not classified as Securities Companies)	-	-	-	-	-
	Domestic	-	-	-	-	-
	Foreign	-	-	-	-	-
2	Securities Companies (above 5% ownership)	76,778,810	60.33%	2	2	-
	Domestic	37,500,000	29.47%	1	1	-
	Foreign	39,278,810	30.87%	1	1	-
3	Securities Companies (less than 5% ownership)	24,795,386	19.48%	35	35	-
	Domestic	4,135,112	3.25%	14	14	-
	Foreign	20,660,274	16.24%	21	21	-
<b>TOTAL</b>		<b>101,574,196</b>	<b>79.82%</b>	<b>37</b>	<b>37</b>	<b>-</b>

# SHAREHOLDERS' INFORMATION

## SHAREHOLDERS' EQUITY RATIO

No.	Category	Quantity of Shares	Percentage of ownership	Number of shareholders	Shareholder structure (*)		
					Organization	Individual	
1	State-owned Shareholders	37,500,000	29.47%	1	1	-	
2	Major Shareholders (above 5% ownership)	39,278,810	30.87%	1	1	-	
	Domestic						-
	Foreign	39,278,810	30.87%	1	1	-	
3	Treasury Shares	27,079	0.02%	-	-	-	
4	Other Shareholders	50,450,869	39.64%	2,972	86	2,886	
	Domestic						27,373,870
	Foreign	23,076,999	18.13%	94	26	68	
<b>TOTAL</b>		<b>127,256,758</b>	<b>100%</b>	<b>2,974</b>	<b>88</b>	<b>2,886</b>	
Including:		Domestic	64,873,870	50.98%	2,879	61	2,818
		Foreign	62,355,809	49%	95	27	68

## SPECIAL SHAREHOLDERS

No.	Name of Organization/ Individual	ID /Business Registration no.	Date of issuance	Address	Number of stocks	Percentage of ownership	Percentage of representative
<b>A. State Shareholder cum Strategic Shareholder (with above 5% ownership)</b>							
1	HCMC Finance and Investment State-owned Company(HFIC)	300535140	Apr 13 <sup>th</sup> 2010	33-39 Pasteur St., District 1, HCMC	37,500,000	29.47%	-
<i>Representatives</i>							
1.1	Nguyen Thanh Liem	020829128	Dec 5 <sup>th</sup> 2007	684/34 Tran Hung Dao St., Ward 2, District.5, HCMC	26,250,000		20.63%
1.2	Hoang Dinh Thang	022777118	Apr 27 <sup>th</sup> 2007	557/T4 Nguyen Tri Phuong St., Ward 14, District 10, HCMC	11,250,000		8.84%
<b>Total A:</b>					<b>37,500,000</b>	<b>29.47%</b>	<b>29.47%</b>
<b>B. Major Shareholder cum Strategic Shareholder (with above 5% ownership)</b>							
2	Dragon Capital Markets Limited (DC)	C00001	Jul 27 <sup>th</sup> 2000	Unit 1901, 19 Floor, Me Linh Point, 02 Ngo Duc Ke St., District 1, HCMC	39,278,810	30.87%	-
<i>Representatives</i>							
2.1	Le Anh Minh	022382871	Mar 13 <sup>th</sup> 2008	108/11 Nguyen Chi Thanh St., District 5, HCMC	19,639,405		15.43%
2.2	Johan Nyvene	461756487	Aug 18 <sup>th</sup> 2009	43 No. 2 St., Nam Phu, Tran Trong Cung St., Tan Thuan Dong Ward, District 7, HCMC	19,639,405		15.43%
<b>Total B:</b>					<b>39,278,810</b>	<b>30.87%</b>	<b>30.87%</b>
<b>Total (A+B):</b>					<b>76,778,810</b>	<b>60.33%</b>	<b>-</b>

## I. ASSESSMENT OF THE BOARD OF DIRECTORS ON THE OPERATIONS OF HSC IN 2013

### A. Assessment of the Board of Directors on the Company's operations

In 2013, notwithstanding the hardship of the economics, the recovery of macroeconomic indices impacted positively towards the securities market in Vietnam, which overcame the turbulence relatively successfully. Given the increase of both VN Index and HNX Index by 21.97% and 18.83% respectively, Vietnam was ranked as one of the top 10 countries possessing the most vigorous recovery level worldwide.



HSC Annual General Meeting 2012

Thanks to the positive movement of the securities market, trust of the shareholders as well as the non-stop endeavors of HSC, the business outcome of HSC was successfully achieved compared to other firms in the industry. Specifically, profit after tax of 2013 reached VND 282 billion, which was a 15% increase from 2012 and approximately 119% of the targeted plan set by the Annual General Meeting in FY2012. Regarding brokerage market share, HSC continued to hold its top position on both HOSE and HNX in 2013. The contribution of the Private Client Division and Institutional Client Division, whose market share increased from 7% in 2012 to 7.5% in 2013 and from 3.2% in 2012 to 4.5% in 2013 respectively, enabled HSC to obtain the largest market share in Vietnam with the annual growth rate of 17% y/y.

Alongside this, other business divisions also strove for success. The Corporate Finance Division revenue in 2013 reached VND 22.6 billion, rising by 136% from 2012 and accounting for 59% of the set target. Whereas the Principal Investment Division finished 2013 with more remarkable results translating into the revenue of VND 85 billion, rising by 281% compared to VND 22 billion of 2012 and 180% above the target.

In 2013, HSC successfully issued shares for existing shareholders from owner's equity and issued shares in accordance with Employee Stock Ownership Plan (ESOP) for HSC staff, thereby increased charter capital from VND 1,008 billion to VND 1,273 billion.

Alongside the intensification of business activities, so that HSC reached beyond the target approved in the Annual General Meeting FY2012, HSC proactively constructed a business environment based on the criteria of transparency, trustworthiness and sustainable development. Therefore, the implementation of risk management in Corporate Governance was steadily built up. With these foundations, HSC is currently building a risk management model so that its staff identify, assess, supervise and manage risks in compliance with risk management principles applied in Vietnam and worldwide. Besides, HSC established an Internal Audit Department. In the initial phase, HSC cooperated with KPMG Vietnam Ltd for internal audit execution. Later on, there shall be an independent Internal Audit Department who reports directly to the Board Audit Committee under the Board of Directors of HSC.

To mitigate risks relating to information security, HSC implemented successfully the Information Security Project ISMS with the purpose of ensuring the confidentiality of information under thorough control and management, confronting to the principle of C.I.A (Confidentiality - Integrity - Availability) and was certified ISO/IEC 27001:2005 for "Providing online trading and brokerage services" by TUV Rheinland (Germany). Thanks to this achievement, HSC reinforced its status of being a pioneer in the development of IT infrastructure; thereby upheld the trust and loyalty of its clients when using services of HSC.

### B. Assessment of the Board of Directors on the Operations of the Management Team

Pursuant to the Charter and promulgated rules and regulations, the Board of Directors authorized the Management Team to make decisions on business activities of the Company on a day-to-day basis and concurrently exercise resolutions, business plan and directions by the Board of Directors and the General Shareholders Meeting. Based on the mechanism of examination and supervision via quarterly reports on business results, business situations of the Company and extraordinary reports, the Board of Directors assessed the Management Team had successfully exercised powers vested and assigned duties as provisions of applicable laws, the Company Charter, resolutions of the General Shareholders Meeting and the Board of Directors in a truthful, prudent manner for the best interests of the Company and its shareholders. Accordingly, the Management Team finished 2013 with the fulfillment beyond the target of business plan in 2013 approved by the General Shareholders Meeting, as well as having implemented the construction of business environment on the foundation of sustainable development, and upgraded Corporate Governance of the Company, managerial roles and risk management.

### C. Plans, direction of the Board of Directors

The prediction about the stability of the macro economics, controlled inflation, lower interest rates and a restructuring of the securities market, the implementation of the derivative securities market project and the proposed merger of the two stock exchanges as well as the increase of market demand in terms of foreign investment of the SSC, are all vital elements contributing to the progressive recovery of Vietnam's securities market. With the above predictions and in order to continuously upgrade the efficiency of leveraging the capital of shareholders and investors, as well as remain in the top position among securities companies in Vietnam, the Board of Directors is committed to the following policies in 2014:

- Continuously reinforcing and improving the management activities of the Company as well as enhancing governance and risk management in finance, accounting and auditing, corporate risk management by enhancing the competence of the sub-committees under the Board of Directors;

- Continuously increasing transparency in business operations and enhancing the roles of the independent members of the Board of Directors;
- Standardizing all the professional procedures of the Company as far as it is appropriate within the business conditions and the law; notably in terms of information security, risk management, internal control;
- Improving capital optimization by promoting the competencies of current products and services as well as researching and developing new products in compliance with international practices and standards, so as to fulfill customers' demands;
- Researching and implementing ETF fund, derivative products to amplify the scope of development in the upcoming phases;
- Investing intensively and optimizing the securities brokerage services to maintain the prevailing top position in Vietnam.
- Continuously implementing operations of Principal Investment Department in a prudent manner, in which prioritizes the increase in investment capital ratio into stocks and reduction in investment into bonds as the interest rate is on progress of stability;
- Promoting strategic cooperation with strong and prestigious domestic private business groups as well as international institutions to improve HSC's competitive edge;
- Continuously implementing and deploying the business plan until 2015, especially focusing on M&A activities to rapidly affirm and retain HSC's competitive advantage;
- Developing and enhancing the corporate values on a sustainable foundation by creating a Corporate Social Responsibility (CSR) strategy;
- Bringing forward the succession planning and development project at corporate management level;
- Maximizing the interests of shareholders and balancing between such interests and the administration of the Company reasonably.

# REPORT OF THE BOARD OF DIRECTORS (continued)

## II. REPORT OF THE BOARD OF DIRECTORS IN 2013

### A. The Board of Directors

#### 1. Introduction of the Board of Directors

According to provisions of the Law on Enterprises and the Charter of HSC, the Board of Directors is the governing body of the Company, which has ultimate decision making authority and empowered on behalf of the Company to perform rights and obligations of the Company, which are not the jurisdiction of the General Shareholders Meeting. The Board of Directors shall be responsible for ensuring operations of the Company, conducting fair treatment to all shareholders and respecting interests of the Company's stakeholders. In 2013, the Board of Directors maintained its operations in accordance with provisions of the Company Charter and Corporate Governance Regulations with the number of members of the Board of Directors is seven members, including two independent members, three non-executive members and two executive members. The independent members are Mr. Do Hung Viet (Chairman of the Board of Directors) and Mr. Pham Nghiem Xuan Bac (Member of the Board of Directors). The two out of three non-executive members who are authorized representatives of Ho Chi Minh City Finance and Investment state-owned Company (HFIC), the major state-owned shareholder holding 29.47% of charter capital, are Mr. Nguyen Thanh Liem (Vice Chairman of the Board of Directors) and Mr. Hoang Dinh Thang (Member of the Board of Directors). Mr. Le Anh Minh (Vice Chairman of the Board of Directors) is the authorized representative of Dragon Capital Markets Limited (DC) - the major foreign shareholder holding 30.87% of charter capital of HSC. The remaining 02 executive members are Mr. Johan Nyvene (Chief Executive Officer) and Mr. Trinh Hoai Giang (Deputy Chief Executive Officer).

Members of the Board of Directors for the 3<sup>rd</sup> term (2011 - 2015)

(appointed by the Annual General Meeting FY2010 on April 08<sup>th</sup> 2011)

No.	Name	Position	Independent member	Non-executive member	Executive member
01	Mr. Do Hung Viet	Chairman	√		
02	Mr. Le Anh Minh	Vice Chairman		√	
03	Mr. Nguyen Thanh Liem	Vice Chairman		√	
04	Mr. Pham Nghiem Xuan Bac	Member	√		
05	Mr. Hoang Dinh Thang	Member		√	
06	Mr. Johan Nyvene	Member			√
07	Mr. Trinh Hoai Giang	Member			√

HSC proudly has a Board of Directors that are highly competent and experienced in securities, finance, accounting, law and Corporate Governance. Members of the Board of Directors always contribute positively, responsibly and independently with the operation of the Company

#### 2. Tenure of the Board of Directors

The tenure of the Board of Directors is five years. The third term from 2011 to 2015 was appointed at the Annual General Meeting FY2010 organized on the April 08<sup>th</sup> 2011.

#### 3. Committees under the Board of Directors

To improve the Corporate Governance as provisions of the current regulations as well as international standards, the Board of Directors established two committees under the Board of Directors, whose duties are to consult and assist the Board of Directors in maintaining and reinforcing the internal control of the Company, including:

##### a. Board Risk Management Committee

The Board Risk Management Committee comprises three non-executive members of the Board of Directors, specifically as follows:

No.	Name	Position
01	Mr. Le Anh Minh	Vice Chairman of the Board of Directors - Chairman of the Committee
02	Mr. Do Hung Viet	Chairman of the Board of Directors - Member of the Committee
03	Mr. Pham Nghiem Xuan Bac	Member of the Board of Directors - Member of the Committee

##### b. Board Audit Committee

The Board Audit Committee comprises three members, including two non-executive members of the Board of Directors and one member of the Supervisory Board as follows:

No.	Name	Position
01	Mr. Do Hung Viet	Chairman of the Board of Directors - Chairman of the Committee
02	Mr. Hoang Dinh Thang	Member of the Board of Directors - Member of the Committee
03	Ms. Dang Nguyet Minh	Member of the Supervisory Board - Member of the Committee

#### 4. Activities of the Board of Directors

As provisions of the Company Charter, in 2013, the Board of Directors maintained a quarterly held meeting to discuss and reach consensus on crucial decisions given the authority of the Board of Directors. In doing so, they can promptly give directions to the business operation of the Company depending on the trend of the market. The Board of Directors managed to hold nine meetings, including three office meetings and six meetings in form of collecting written opinions. Members of the Board of Directors participated, contributed opinions and voted to approve the resolutions when there were votes obtained from more than half of total votes from all members of the Board of Directors. All office meetings of the Board of Directors included Chairman of the Supervisory Board and/or Members of the Audit Committee as observers.

##### Meetings of the Board of Directors

No	Members of the Board of Directors	Position	Number of attendance	Percentage	Reasons for absence
01	Mr. Do Hung Viet	Chairman	9/9	100%	
02	Mr. Le Anh Minh	Vice Chairman	9/9	100%	
03	Mr. Nguyen Thanh Liem	Vice Chairman	8/9	89%	On business trip
04	Mr. Pham Nghiem Xuan Bac	Member	9/9	100%	
05	Mr. Hoang Dinh Thang	Member	8/9	89%	Medical reason
06	Mr. Johan Nyvene	Member	9/9	100%	
07	Mr. Trinh Hoai Giang	Member	9/9	100%	

Besides issues within the competence of the Board of Directors, the meetings of Board of Directors in 2013 focused on the implementation of business plans set by the Annual General Meeting, adhered to business results of each quarter for further and timely direction; promulgated Corporate Governance,

# REPORT OF THE BOARD OF DIRECTORS (continued)

approved on internal regulations of risk management and appointed staff for the Risk Management Division, Risk Management Sub-committee and the Board Audit Committee to intensify the function of Corporate Governance. Resolutions and decisions of the Board of Directors are based on a high consensus of all members of the Board of Directors for the best interests of shareholders and the sustainable development of the Company.

#### The following issues were approved in the Resolutions of the Board of Directors:

- 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 as follows:
  - » Ratio of the 2<sup>nd</sup> dividend payment in 2012
  - » Dividend plan in 2013
  - » Profit distribution plan in 2012
  - » Selection of an audit firm for FY2013
  - » Issuance of shares to raise share capital from owners' equity and issuance of shares in ESOP program
  - » Change in the Charter of HSC
- Agreement on the celebration day for the 10<sup>th</sup> anniversary of HSC, which was on May 16<sup>th</sup> 2013.
- Approval for the Management Team to buy/sell stakes of the Saigon Beer - Alcohol - Beverage Corporation (Sabeco);
- Approval for the Management Team to sell 329,560 treasury shares HCM.
- Decision on the selection of Ernst & Young Ltd. as the audit firm of HSC for FY2013.

# REPORT OF THE BOARD OF DIRECTORS (continued)

- Approval on the alternation of overdraft limit at Bank for Investment and Development of Vietnam (BIDV) and credit limit at commercial banks.
- Reports on business results of the H1-2013.
- Reports on the results of selling 329,560 treasury shares.
- Approval for the implementation time of issuing shares to increase share capital from owners' equity as approved by the Annual General Meeting FY2012 on April 26<sup>th</sup> 2013.
- Approval for the appointment of Mr. Arnold V. Pangilinan to be the Head of Risk Management Division of the Company.
- Approval for the ERM framework, Operation Principles and regulations on Corporate Risk Management as well as appointment of human resource accordingly.
- Approval for the selection of the advisory firm and implementation timeline of the BPI project.
- Approval for the principles of composing the Corporate Governance Regulation of the Company.
- Approval for the ratio and time of the first dividend advancement in 2013 with the ratio of 5%.
- Approval for the appointment of Mr. Le Cong Thien to be Deputy CEO of the Company.
- Approval for the business results of 9 months of 2013.
- Approval for the depository, listing and additional transaction of the total issued shares to increase capital from owners' equity in accordance with proposed plan approved at the Annual General Meeting FY2012 at VSD - Ho Chi Minh City Branch and HOSE.
- Approval for standards of staff eligible for ESOP 2013, principles of

determining the number of shares for each subject, nominating members for ESOP Committee and deployment time of ESOP 2013.

- Approval for the purchase of additional shares of DongA Joint Stock Commercial Bank.
- Approval for the Corporate Governance Regulation of the Company.
- Approval for the guideline on Limit of Authority.
- Approval for the selection of the advisory firm and deployment time for internal audit of the Company.
- Approval for the authorization of the CEO to be the representative of the Company in signing all documents relating to credit cards named HSC opened at HSBC Bank (Vietnam) Ltd.
- Approval for the additional registration, listing at HOSE and depository at VSD - Ho Chi Minh City Branch of a total of 1,200,000 (one million two hundred thousand) shares issued to the staff under the ESOP scheme approved at the Annual General Meeting FY2012.

## Decisions issued by the Board of Directors

No.	Decision's number	Date	Content
01	01/2013/QĐ-HĐQT	Aug 12 <sup>th</sup> 2013	Decision to appoint Mr. Le Cong Thien to be Deputy CEO of the Company
02	02/2013/QĐ-HĐQT	Aug 12 <sup>th</sup> 2013	Decision to appoint Mr. Arnold Villanueva Pangilinan to be Managing Director - Head of Risk Management Division of the Company
03	03/2013/QĐ-HĐQT	Oct 31 <sup>st</sup> 2013	Promulgation of Corporate Governance Regulation

## 5. Activities of non-executive members of the Board of Directors

The prevailing structure of the Board of Directors ensures the balance between executive members and non-executive members, in which one-third of the total members of the Board of Directors are independent members. The independence of members must follow provisions of the Company Charter.

Almost non-executive members are members of the sub-committees under the Board of Directors. Therefore, besides the universal duties of the Board of Directors, such members shall be responsible for assigned works at their sub-committee.

## 6. Activities of the sub-committees of the Board of Directors

### a. The Board Risk Management Committee

The Board Risk Management Committee assists in supervising the structure of corporate risk management; regulations and guidance on governance and risk evaluation; level of risk tolerance; capital, liquidity and capital rise of the Company and the efficiency of the Head of Risk Management Division.

# REPORT OF THE BOARD OF DIRECTORS (continued)

With mentioned responsibilities, in 2013, the Board Risk Management Committee approved the ERM framework, Operating Principles, Limit of Authority, Risk Management Policy, Strategic Risk Models, Risk Management Guideline and Regulations of ERM stipulated by the Risk Management Division for the approval of the Board of Directors.

On a monthly basis, the Executive Board of Risk Management sends monthly reports to the Board Risk Management Committee.

The Board Risk Management Committee shall hold meetings to approve transactions within its authority.

### b. The Board Audit Committee

The Board Audit Committee was established at the beginning of 2014 and on progress of completing the Proposal of Operating Principles, Proposal of Charter and staff of the Committee.

The Board Audit Committee shall implement the internal audit in cooperation with KPMG Ltd. as the advisory firm in a course of three years from 2014 to the end of 2016. During this course, the advisory firm shall train, coach the Internal Audit Department and the Board Audit Committee as well as construct internal audit plans and jointly implement the annual internal audit. After this course of joining internal audit, which means after 2016, HSC shall have an independent Internal Audit Department which is accountable to the Board Audit Committee under the Board of Directors.

## 7. Chairman of the Board of Directors

The Chairman of the Board of Directors is not concurrently Chief Executive Officer of the Company, which ensures the separation between powers and duties.

The Chairman of the Board of Directors is an independent member of the Board of Directors and used to be the Chief Executive Officer of HSC in its first establishment until appointed to the Board of Directors in the second term (2007-2011).

## 8. Appointment of members of the Board of Directors

The selection and appointment of a new member for the Board of Directors were implemented in accordance with an official process stated evidently and transparently in the Company Charter and the Corporate Governance Regulation of the Company.

In the event of changing members of the Board of Directors during the term, the Board will nominate and approve a temporary member as regulated in the Company Charter and

Corporate Governance Regulation, who will be submitted to the Annual General Meeting for official approval at the nearest meeting.

## 9. Assessment of capabilities of the Board of Directors as well as each member of the Board of Directors

HSC maintains the assessment of the Board of Directors in terms of efficiency of its operations and of each member of the Board of Directors. Standards and process for assessment are stipulated in the Corporate Governance Regulation of the Company.

10. All members of the Board of Directors participated in all activities relating to the governance of the Company and possessed certificate of Corporate Governance, except for Mr. Pham Nghiem Xuan Bac, who did not have sufficiently favorable conditions to participate in these activities.



## B. Transactions, remuneration and benefits of the Board of Directors, Management Team, and Supervisory Board

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

The operating fund of HSC's Board of Directors and Supervisory Board in 2013 was approved with the ratio of 1% of profit after tax by the FY2012's Annual General Meeting.

The remuneration payment to members of the Board of Directors and Supervisory Board complies with Resolution No. 12/2011/NQ-HĐQT dated on December 21<sup>st</sup> 2011 by the Board of Directors about the approval of remuneration for the Board of Directors and Supervisory Board.

# REPORT OF THE BOARD OF DIRECTORS

(continued)

## REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS IN 2013

*Unit: VND*

No.	Name	Position	Specialization	Cum Management	Remuneration level per month (after tax)
01	Mr. Do Hung Viet	Chairman	√		Salary receiving
02	Mr. Le Anh Minh	Vice Chairman			10,000,000
03	Mr. Nguyen Thanh Liem	Vice Chairman			10,000,000
04	Mr. Pham Nghiem Xuan Bac	Member			10,000,000
05	Mr. Hoang Dinh Thang	Member			10,000,000
06	Mr. Johan Nyvene	Member		√	Salary receiving
07	Mr. Trinh Hoai Giang	Member		√	Salary receiving

## REMUNERATION TO THE MEMBERS OF THE SUPERVISORY BOARD IN 2013

*Unit: VND*

No.	Name	Position	Specialization	Cum Management	Remuneration level per month (after tax)
01	Mr. Vo Van Chau	Chairman			10,000,000
02	Mr. Doan Van Hinh	Member			6,000,000
03	Ms. Dang Nguyet Minh	Member			6,000,000

Based on the remuneration presented above and the prevailing number of members of the Board of Directors and Supervisory Board at certain times, the payment of remuneration and operating expenses to the members of the Board of Directors and Supervisory Board specifically are as follows:

### a. Remuneration of the Board of Directors

- Total number of the members of the Board of Directors: 07 members (among whom there are 01 member of specialization and 02 members of cum management receiving salary)

- Total remuneration: VND 533,333,328 (including personal income tax)

### b. Remuneration of the Supervisory Board

- Total number of the members of the Supervisory Board: 03 members (among whom there is 01 supplementary appointed member receiving the remuneration from Q2/2013)

- Total remuneration: VND 273,333,332 (including personal income tax)

### c. Remuneration and operating expenses of the Board of Directors and Supervisory Board in 2013

No.	Content	Amount (VND)
	Operating fund of the Board of Directors & Supervisory Board in 2013 (with 1% extracting from profit after tax 2012)	2,463,805,238
01	Remuneration of the Board of Directors & Supervisory Board in 2013	806,666,660
02	Other operating expenses	1,443,817,688
	The remaining operating fund of the Board of Directors & Supervisory Board in 2013	213,320,890

# REPORT OF THE BOARD OF DIRECTORS

(continued)

2. Regulation on bonus and share in Employee Stock Ownership Plan (ESOP Program) to the members of the Board of Directors and Supervisory Board

Besides the regulation of remuneration to the members of the Board of Directors and Supervisory Board as presented above, the non-executive independent members of the Board of Directors and Supervisory Board do not receive any amount of bonus from the rewarding fund of the Company as well as any shares of the 2013 ESOP in 2013.

3. Other regulations of treatment to the members of the Board of Directors and Supervisory Board

At the present, the regulations of expense (using company cars, generated actual telephone payment, social insurance, medical insurance, and other kinds of insurance, annual health check,...) and other treatments specified in the internal regulations of the Company are applied only to the specialized Chairman of the Board of Directors. Other members of the Board of Directors and Supervisory Board only receive travelling expenses (if generated).

### 4. Share trading transactions of internal shareholders

**a. Share trading transactions:** In 2013, HSC had only one trading transaction of Mr. Lam Huu Ho - Chief Financial Officer of the Company as following:

No.	Transactor	Relationship with internal shareholders	Number of shares owned in the beginning		Number of shares owned in the end period		Reasons for increase, decrease (purchase, sell, convert, reward,...)
			Number of shares	Percentage	Number of shares	Percentage	
01	Mr. Lam Huu Ho	Chief Financial Officer	60,083	0.06	35,083	0.03	28,000 shares decreased due to the sell trading on May 22 <sup>nd</sup> 2013

**b. Other transactions:** In 2013, HSC did not receive any information from its internal shareholders (members of the Board of Directors, members of the Supervisory Board, Chief Executive Officer and other management staff appointed by the Board of Directors) regarding all the benefits that may cause conflict of interests of the Company that they can gain through economic entities, and other transactions or individuals.

Also, the Company did not provide any loans or underwritings for the internal shareholders and other related people.

### C. Dividend plan in 2013

At Annual General Meeting FY2012, the Shareholder General Meeting approved the ratio of share dividend in 2013 by 12% (approximately by VND 1,200 per share).

The Company carried out the first cash dividend advancement of 2013 by 5% (equivalent to 500 VND/share) and already paid to the shareholders on September 12<sup>th</sup> 2013 as due announced for the shareholders in Resolution No. 07/2013/NQ-HDQT dated on August 12<sup>th</sup> 2013 by the Board of Directors.

On the basis of assuring income from equity investment and HSC's shareholders' benefits, the Board of Directors will submit to the Annual General Meeting FY2013 to consider the approval of the ratio of second cash dividend payment in 2013 with a rate higher than the plan approved by the Annual General Meeting.

### D. Fulfillment of regulations on the Corporate Governance

In 2013, HSC amended and issued the Regulation of Corporate Governance in Decision No. 03/2013/HĐQT-HSC dated on October 31<sup>st</sup> 2013, complying with Circular No. 121/2012/TT-BTC dated on July 26<sup>th</sup> 2012 issued by the Ministry of Finance regarding the Corporate Governance regulation applying for public companies.

HSC has been and is strictly complying with the provisions in the Corporate Governance Regulation in order to achieve the best practice standards widely applied in regional and international countries.

# REPORT OF THE SUPERVISORY BOARD

FY2013 was a successful year for HSC, with revenue of approximately VND 635 billion, a 13% increase from 2012, which was the highest revenue since its establishment. Profits increased at a faster pace - VND 375 billion for EBT and VND 282 billion for EAT, which were 22% and 15% higher than those of 2012 respectively. This result exceeded the target approved by the FY2012's Annual General Meeting by 19%, thanks to the continuous effort of all divisions and the maximum cost reduction. The company's capital optimization achieved 12.8% which was the highest rate in the past 3 years, being one of the top rates in the industry.

Despite severe competition among securities firms in 2013, HSC continued to expand its operations, and achieved a market share of, on average, 12.2% in 2013, equivalent to an increase of 1.8% from 2012, which kept us in the premier market position for two consecutive years. HSC's market share has doubled in the last four years from 6.1% in 2010 to 12.2% today. Among the securities businesses in the region, HSC's growth and its gained market share is a stand-out success. Developing rapidly in a turbulent market, alongside building a robust risk management system, our supervisory and monitoring activities have been pivotal to this growth.

## I. ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board includes three members, among whom there are two independent members, who act as shareholders' representatives, supported by the Management Team and Board of Directors. The Supervisory Board continues to examine and supervise all activities and suggest necessary changes in terms of risk management and the improvement of Corporate Governance at HSC. In 2013, the main activities of the Supervisory Board were:

- Coordinating with the Board of Directors to establish an Internal Audit Department, under the Board Audit Committee of the Board of Directors;
- Attending the Board of Directors' meetings as supervisors;
- Working with an Independent Audit Team regarding independent audit results and generated problems;
- Following up and analysing financial statements every quarter.

### 1. Establishment of an Internal Audit Department

Pursuant to Circular 210/2012/TT-BTC, securities firms are public Joint Stock Companies (JSCs) which should institute an Internal Audit Department, under the Board of Directors. In 2013, the Supervisory Board coordinated with the Board of Directors and the Risk Management Division to interview and assess advisory institutions; and KPMG Ltd Co. (KPMG) was chosen to provide the service on the aspects of quality, experience, and price. KPMG will support HSC in building the internal audit framework, implementing and securing that this team will efficiently work and meet the expectation of the Board of Directors and the Supervisory Board.

The Supervisory Board considered the establishment of the Internal Audit Department as a major step in the process of risk management, with the aim of objectively and independently carrying out supervision, evaluation and consultancy activity, to increase the Company's value and operation. Specifically, under the guidance of the Board Audit Committee, the Internal Audit Department will review all the process of the Company by learning and experimenting activities at each division, checking all files and documents in the auditing stage, exchanging and interviewing the management staff to ensure that every process is complied in a full and detailed way.

Normally, the Internal Audit Department is responsible for directly reporting to the Supervisory Board; however, due to Circular 210's conditions regulated to securities firms, this team is under the Board of Directors. Therefore, the Supervisory Board and the Board of Directors decided to establish a Board Audit Committee under the Board of Directors, which includes three people, one of whom is a representative of the Supervisory Board.

### 2. Participation in the Board of Directors' meetings

The Supervisory Board participated fully in all the meetings of the Board of Directors every quarter and as required, understood HSC's business needs in order to contribute ideas for the implementation of the strategies and objectives approved by the Annual General Meeting in April, 2013 to the Board of Directors and the Management Team. The Supervisory Board realized that the Board of Directors had fulfilled all their responsibilities. The business projects and plans were discussed and exchanged in a detailed and open manner, and only approved when absolute consensus was achieved in order to benefit and comply with the development strategy of HSC.

Alongside the core matters discussed in the Board of Directors' meetings, risk management was an important concern. Specifically, the Board of Directors ratified some major issues such as the Company's Corporate Governance Regulation, the ERM framework, Principles and Procedures of Risk Management, Limit of Authority.

As the supervisor and representative of investors, the Supervisory Board's constructive ideas have been appreciated and considered in all the decisions of the Board of Directors.

### 3. Discussion with the Independent Audit and financial statement analysis

In 2013, the Supervisory Board organized annual meetings (twice a year) with the Independent Audit of HSC (Ernst & Young Vietnam Ltd. Co.) to discuss the audit scope, the audit result, and other matters mentioned in the management letter. Accordingly, HSC's activities are transparent and explicit, and no serious violations related to audit, finance, as well as the working process, were identified. In 2013, Ernst & Young Vietnam provided solely its audit services to HSC, not advisory services. The total cost of the audit in 2013 was VND 802,505,000 (including VAT).

# REPORT OF THE SUPERVISORY BOARD

Alongside this, the Supervisory Board analyzed the quarterly financial statement, six-month review reports, audited reports of 2013 and the data presented at the meetings of the Board of Directors. The Supervisory Board realized that HSC's financial position was healthy:

- HSC's business results in 2013 exceeded the targets approved by the Annual General Meeting (as presented at the beginning of this report).
- The capital adequacy ratio as well as other basic ratios in terms of debts, loans and liquidity all met high standards and improved, compared to those of 2012.

#### Basic financial features:

Key Ratio	FY2013	FY2012
<b>1 Liquid Capital Safety Ratio</b>	<b>950%</b>	746%
<b>2 Liquidity Ratio</b>		
a - Current ratio (times)	<b>3.14</b>	2.79
b - Total Debt/ Total Assets Ratio (times)	<b>0.28</b>	0.32
<b>3 Capital Structure</b>		
a - Owner's Equity/ Total Equity (times)	<b>0.72</b>	0.68
<b>4 Profitability ratios</b>		
a - ROAE (Return on Equity)	<b>12.80%</b>	11.75%
b - ROAA (Return on Assets)	<b>8.92%</b>	8.45%
<b>5 Basic earning per share (VND)</b>	<b>2,241</b>	1,979

## II. CONCLUSION AND SUGGESTION

Thanks to the clearly defined objectives of the risk management project implemented in 2013, the Supervisory Board believed that the risk management, supervisory and monitoring activities would continue to provide the Board of Directors, the Management Team and other divisions with crucial information of the system and future plans of the business which will continuously improve the Company's operation moving towards better growth and enhancing market opportunities in the long-term.

FY2014 will be a pivotal year in which the Internal Audit Department will complete the competence, process, scope of audit and reaudit range of major departments of HSC.

The Supervisory Board, as a representative of the shareholders, strongly believes in the business governance, construction and development ability of the Board of Directors and Management Team, as well as the employees of HSC.



## FINANCIAL STATEMENTS

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### THE COMPANY

Ho Chi Minh City Securities Corporation ("the Company") is a JSC 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 SSC on 29 April 2003, and other amended licenses.

The current 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 5<sup>th</sup> and 6<sup>th</sup> Floor, AB Tower, 76 Le Lai Street, Ben Thanh Ward, District 1, Ho Chi Minh City. At 31 December 2013, the Company had two branches located in Ho Chi Minh City and Hanoi, and transaction offices 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. Dang Nguyet Minh	Member	Appointed on 26 April 2013

### 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	Deputy Chief Executive Officer	Appointed on 12 August 2013
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. 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.

### AUDITOR

The auditor of the Company is Ernst & Young Vietnam Limited.

# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors 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 2013.

## 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 of operations, its cash flows and its changes in equity 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 2013.

## STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors 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 2013 and of the results of its operations, its cash flows and its changes in equity 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 statutory requirements relevant to preparation and presentation of financial statements.

For and on behalf of the Board of Directors:



Mr. Johan Nyvene  
Member of the Board of Directors

Ho Chi Minh City, Vietnam

7 March 2014



**Ernst & Young Vietnam Limited**  
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www.ey.com/vn

Reference: 60790272/16378373

## INDEPENDENT AUDITORS' REPORT

**To: The Shareholders of Ho Chi Minh City Securities Corporation**

We have audited the accompanying financial statements of Ho Chi Minh City Securities Corporation ("the Company") as prepared on 7 March 2014 and set out on pages 84 to 124, which comprise the balance sheet as at 31 December 2013, and the income statement, the cash flow statement and the statement of changes in equity for the year then ended and the notes thereto.

### Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 with statutory requirements relevant to preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Company as at 31 December 2013, and of the results of its operations, its cash flows, and its changes in equity for the year then ended in accordance with 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 with the statutory requirements relevant to preparation and presentation of financial statements.

**Ernst & Young Vietnam Limited**



Saman Bandara  
Deputy General Director  
Audit Practicing Registration  
Certificate No. 2036-2013-004-1

Ho Chi Minh City, Vietnam  
7 March 2014



Nguyen Quoc Tuan  
Auditor  
Audit Practicing Registration  
Certificate No. 1841-2013-004-1

# BALANCE SHEET

AS AT 31 DECEMBER 2013

B01-CTCK

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>2,768,235,282,081</b>	<b>2,585,109,719,671</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>4</b>	<b>1,007,873,885,140</b>	<b>1,794,202,976,893</b>
111	1. Cash		1,007,873,885,140	1,794,202,976,893
112	2. Cash equivalents		-	-
<b>120</b>	<b>II. Short-term financial investments</b>	<b>6.1</b>	<b>352,083,430,831</b>	<b>152,323,020,894</b>
121	1. Short-term investments		397,465,522,487	203,325,585,176
129	2. Provision for short-term investments		(45,382,091,656)	(51,002,564,282)
<b>130</b>	<b>III. Short-term receivables</b>	<b>7</b>	<b>1,402,016,293,670</b>	<b>634,679,079,188</b>
131	1. Trade receivables		1,390,133,377	1,410,917,105
132	2. Advances to suppliers		110,262,322	353,848,252
135	3. Receivables from securities trading activities		1,390,070,574,094	552,121,896,930
138	4. Other receivables		33,761,288,971	104,097,165,353
139	5. Provision for doubtful debts		(23,315,965,094)	(23,304,748,452)
<b>150</b>	<b>IV. Other current assets</b>		<b>6,261,672,440</b>	<b>3,904,642,696</b>
151	1. Short-term prepaid expenses	8	6,110,580,511	3,659,266,484
158	2. Other current assets		151,091,929	245,376,212
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>359,545,786,841</b>	<b>613,825,595,743</b>
<b>220</b>	<b>I. Fixed assets</b>		<b>7,370,462,750</b>	<b>11,911,394,466</b>
221	1. Tangible fixed assets	9	5,685,717,561	9,858,897,465
222	- Cost		38,432,189,860	41,738,040,089
223	- Accumulated depreciation		(32,746,472,299)	(31,879,142,624)
227	2. Intangible fixed assets	10	1,684,745,189	2,052,497,001
228	- Cost		21,963,858,667	21,084,673,883
229	- Accumulated amortisation		(20,279,113,478)	(19,032,176,882)
<b>250</b>	<b>II. Long-term investments</b>		<b>229,370,665,250</b>	<b>475,293,967,755</b>
253	1. Long-term securities		229,370,665,250	475,293,967,755
254	- Available-for-sale securities	6.2	229,370,665,250	475,293,967,755
<b>260</b>	<b>III. Other long-term assets</b>		<b>122,804,658,841</b>	<b>126,620,233,522</b>
261	1. Long-term prepaid expenses	11	107,738,117,777	113,511,817,548
263	2. Advance to Settlement Assistance Fund	12	11,832,583,310	9,332,583,310
268	3. Other long-term assets	13	3,233,957,754	3,775,832,664
<b>270</b>	<b>TOTAL ASSETS</b>		<b>3,127,781,068,922</b>	<b>3,198,935,315,414</b>

# BALANCE SHEET

AS AT 31 DECEMBER 2013

B01-CTCK

VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
<b>300</b>	<b>A. LIABILITIES</b>		<b>880,432,875,754</b>	<b>1,036,421,290,135</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>880,432,875,754</b>	<b>926,421,290,135</b>
312	1. Trade payables		1,464,675,431	1,839,982,323
314	2. Statutory obligations	14	39,092,023,179	12,434,392,518
316	3. Accrued expenses	15	20,041,416,663	33,992,178,397
319	4. Other payables	16	5,646,682,698	6,060,371,210
320	5. Payables for securities trading	17	584,090,981,306	688,781,849,995
321	6. Dividend, principal and coupon payables		6,175,409,201	4,534,730,890
323	7. Bonus and welfare fund		6,443,177,708	15,582,206,561
327	8. Payables for buying/selling Government bonds	18	217,478,509,568	163,195,578,241
<b>330</b>	<b>II. Non-current liabilities</b>		<b>-</b>	<b>110,000,000,000</b>
334	1. Long-term loans and debts		-	110,000,000,000
<b>400</b>	<b>B. OWNERS' EQUITY</b>	<b>19</b>	<b>2,247,348,193,168</b>	<b>2,162,514,025,279</b>
<b>410</b>	<b>I. Capital</b>		<b>2,247,348,193,168</b>	<b>2,162,514,025,279</b>
411	1. Share capital		1,272,567,580,000	1,008,486,370,000
412	2. Share premium		310,343,798,499	560,834,915,000
414	3. Treasury shares		(123,551,893)	(5,165,052,464)
417	4. Investment and development fund		3,961,374,994	3,961,374,994
418	5. Financial reserve		144,626,530,513	116,409,099,437
420	6. Undistributed earnings		515,972,461,055	477,987,318,312
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>3,127,781,068,922</b>	<b>3,198,935,315,414</b>

# BALANCE SHEET

AS AT 31 DECEMBER 2013  
(continued)

B01-CTCK

## OFF BALANCE SHEET ITEMS

		VND	
Code	ITEMS	Ending balance	Beginning balance
004	<b>1. Bad debts written-off</b>	<b>345,059,000</b>	<b>345,059,000</b>
005	<b>2. Foreign currencies</b>	<b>150,590,712</b>	<b>135,378,184</b>
006	<b>3. Custody securities</b>	<b>7,969,306,770,000</b>	<b>8,042,430,840,000</b>
	<i>Including:</i>		
007	3.1. <i>Trading securities</i>	7,061,036,830,000	7,208,242,770,000
008	3.1.1. Trading securities of custody investors	69,110,190,000	174,413,390,000
009	3.1.2. Trading securities of local investors	6,811,983,200,000	6,810,498,330,000
010	3.1.3. Trading securities of foreign investors	179,943,440,000	223,331,050,000
012	3.2. <i>Temporarily unprocessed securities</i>	73,025,060,000	61,455,570,000
013	3.2.1. Temporarily unprocessed securities of custody investors	-	510,370,000
014	3.2.2. Temporarily unprocessed securities of local investors	70,785,060,000	57,092,950,000
015	3.2.3. Temporarily unprocessed securities of foreign investors	2,240,000,000	3,852,250,000
017	3.3. <i>Mortgaged securities</i>	257,638,210,000	387,731,900,000
019	3.3.1. Mortgaged securities of local investors	234,030,110,000	387,731,900,000
020	3.3.2. Mortgaged securities of foreign investors	23,608,100,000	-
027	3.4. <i>Securities awaiting settlement</i>	481,513,680,000	382,581,400,000
028	3.4.1. Securities awaiting settlement of custody investors	2,175,400,000	4,188,900,000
029	3.4.2. Securities awaiting settlement of local investors	478,551,280,000	377,834,500,000
030	3.4.3. Securities awaiting settlement of foreign investors	787,000,000	558,000,000
037	3.5. <i>Securities waiting for trading</i>	96,092,990,000	2,419,200,000
038	3.5.1. Securities waiting for trading of custody investors	2,798,080,000	-
039	3.5.2. Securities waiting for trading of local investors	93,077,280,000	2,226,240,000
040	3.5.3. Securities waiting for trading of foreign investors	217,630,000	192,960,000

# BALANCE SHEET

AS AT 31 DECEMBER 2013  
(continued)

B01-CTCK

## OFF BALANCE SHEET ITEMS (continued)

		VND	
Code	ITEMS	Ending balance	Beginning balance
050	<b>4. Custody securities of unlisted public companies</b>	<b>441,506,360,000</b>	<b>225,238,530,000</b>
	<i>Including:</i>		
051	4.1. <i>Trading securities</i>	438,638,920,000	201,715,390,000
052	4.1.1. Trading securities of custody investors	4,584,740,000	2,934,790,000
053	4.1.2. Trading securities of local investors	425,652,930,000	196,498,330,000
054	4.1.3. Trading securities of foreign investors	8,401,250,000	2,282,270,000
056	4.2. <i>Temporarily unprocessed securities</i>	946,340,000	6,672,430,000
057	4.2.1. Temporarily unprocessed securities of custody investors	354,000,000	354,000,000
058	4.2.2. Temporarily unprocessed securities of local investors	592,340,000	6,318,430,000
061	4.3. <i>Mortgaged securities</i>	1,300,000,000	-
063	4.3.1. Mortgaged securities of local investors	1,300,000,000	-
071	4.4. <i>Securities waiting for settlement</i>	441,100,000	106,410,000
073	4.4.1. Securities waiting for settlement of local investors	441,100,000	106,410,000
076	4.5. <i>Blocked securities waiting for releases</i>	180,000,000	16,744,300,000
078	4.5.1. Blocked securities waiting for releases of local investors	180,000,000	16,744,300,000
083	<b>5. Non-custody securities held of securities companies</b>	<b>47,956,980,000</b>	<b>49,319,920,000</b>

# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

B02-CTCK

VND

Code	ITEMS	Notes	Current year	Previous year
<b>01</b>	<b>1. Revenue</b>		<b>634,759,577,700</b>	<b>562,371,939,466</b>
	<i>In which:</i>			
01.1	Revenue from brokerage services		199,104,183,216	145,027,366,043
01.2	Revenue from securities investments		152,918,931,927	29,807,426,837
01.3	Revenue from underwriting services		2,880,000,000	-
01.4	Revenue from securities issuance services		45,954,595	768,000,000
01.5	Revenue from finance advisory services		16,399,063,998	12,771,683,832
01.6	Revenue from custodian services		3,710,638,724	3,878,980,057
01.9	Other revenue	20	259,700,805,240	370,118,482,697
<b>02</b>	<b>2. Deductions</b>		<b>-</b>	<b>-</b>
<b>10</b>	<b>3. Net revenues from operating activities</b>		<b>634,759,577,700</b>	<b>562,371,939,466</b>
<b>11</b>	<b>4. Operating expenses</b>	<b>21</b>	<b>(176,670,627,586)</b>	<b>(165,711,574,148)</b>
<b>20</b>	<b>5. Gross profit from operating activities</b>		<b>458,088,950,114</b>	<b>396,660,365,318</b>
<b>25</b>	<b>6. General and administrative expenses</b>	<b>22</b>	<b>(83,378,406,743)</b>	<b>(89,973,914,786)</b>
<b>30</b>	<b>7. Net profit from operating activities</b>		<b>374,710,543,371</b>	<b>306,686,450,532</b>
31	8. Other income		717,818,940	301,701,823
32	9. Other expenses		-	(143,958,917)
<b>40</b>	<b>10. Other profit</b>		<b>717,818,940</b>	<b>157,742,906</b>
<b>50</b>	<b>11. Profit before tax</b>		<b>375,428,362,311</b>	<b>306,844,193,438</b>
<b>51</b>	<b>12. Current corporate income tax expense</b>	<b>23.1</b>	<b>(93,254,051,563)</b>	<b>(60,463,669,619)</b>
<b>60</b>	<b>14. Net profit after tax</b>		<b>282,174,310,748</b>	<b>246,380,523,819</b>
<b>70</b>	<b>15. Basic earnings per share</b>	<b>27</b>	<b>2,241</b>	<b>1,979</b>

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

B03-CTCK

VND

Code	ITEMS	Notes	Current year	Previous year
	<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>01</b>	<b>1. Net profit before tax</b>		<b>375,428,362,311</b>	<b>306,844,193,438</b>
	<b>2. Adjustments for:</b>			
02	- Depreciation and amortisation	21, 22	7,824,033,495	48,685,825,446
03	- Provisions		(5,609,255,984)	1,378,982,518
05	- Profits from investing activities		(178,135,467,936)	(188,680,511,681)
06	- Interest expense		24,294,038,018	27,622,289,805
<b>08</b>	<b>3. Operating profit before changes in working capital</b>		<b>223,801,709,904</b>	<b>195,850,779,526</b>
09	- (Increase) decrease in receivables		(766,005,026,845)	931,352,981,895
10	- Increase in short-term investments		(193,959,397,311)	(54,288,592,310)
11	- (Decrease) increase in payables (other than interest, corporate income tax)		(54,208,620,750)	643,114,045,781
12	- Decrease (increase) in prepaid expenses		3,858,223,872	(26,085,179,647)
13	- Interest paid		(43,243,852,375)	(15,877,355,635)
14	- Corporate income tax paid	23.1	(68,737,158,706)	(61,287,974,741)
16	- Other cash outflows from operating activities		(11,509,544,224)	(28,673,303,708)
<b>20</b>	<b>Net cash flows (used in) generated from operating activities</b>		<b>(910,003,666,435)</b>	<b>1,584,105,401,161</b>
	<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	1. Purchase and construction of fixed assets and other long-term assets		(3,175,695,573)	(8,669,134,244)
22	2. Proceeds from disposals of fixed assets and other long-term assets		139,600,000	57,690,909
23	3. Loans to other entities and payments for purchase of debt instruments of other entities		(702,167,585,247)	(351,629,000,000)
24	4. Collections from borrowers and proceeds from sale of debt instruments of other entities		801,493,109,590	-
25	5. Payments for investments in other entities		-	(180,540,000)
26	6. Proceeds from sale of investments in other entities		190,531,576,198	-
27	7. Interest and dividends received		129,470,299,469	196,394,843,515
<b>30</b>	<b>Net cash outflows generated from (used in) investing activities</b>		<b>416,291,304,437</b>	<b>(164,026,139,820)</b>

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013  
(continued)

B03-CTCK

VND

Code	ITEMS	Notes	Current year	Previous year
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
31	1. Capital contribution, issuance of shares, and disposal of treasury shares		19,171,415,000	10,000,000,000
	- Issuance of shares		12,000,000,000	10,000,000,000
	- Selling treasury shares		7,171,415,000	-
32	2. Capital redemption		(1,320,930)	(1,758,264)
34	3. Repayment of borrowings		(110,000,000,000)	(100,000,000,000)
36	4. Dividends paid to equity holders	19.3	(201,786,823,825)	(209,860,772,715)
<b>40</b>	<b>Net cash flows used in financing activities</b>		<b>(292,616,729,755)</b>	<b>(299,862,530,979)</b>
<b>50</b>	<b>Net (decrease) increase in cash and cash equivalents during the year</b>		<b>(786,329,091,753)</b>	<b>1,120,216,730,362</b>
<b>60</b>	<b>Cash and cash equivalents at the beginning of the year</b>	4	<b>1,794,202,976,893</b>	<b>673,986,246,531</b>
<b>70</b>	<b>Cash and cash equivalents at the end of the year</b>	4	<b>1,007,873,885,140</b>	<b>1,794,202,976,893</b>

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

B05-CTCK

VND

ITEMS	Notes	Beginning balance		Increase/decrease		Ending balance	
		Previous year	Current year	Previous year	Current year	Previous year	Current year
1. Share capital	19	998,486,370,000	1,008,486,370,000	10,000,000,000	-	1,008,486,370,000	1,272,567,580,000
2. Share premium	19	560,834,915,000	560,834,915,000	-	1,590,093,499	560,834,915,000	310,343,798,499
3. Treasury shares	19	(4,648,924,200)	(5,165,052,464)	(516,128,264)	(539,820,930)	(5,165,052,464)	(123,551,893)
4. Investment and development fund	19	3,961,374,994	3,961,374,994	-	-	3,961,374,994	3,961,374,994
5. Financial reserve	19	91,771,047,055	116,409,099,437	24,638,052,382	28,217,431,076	116,409,099,437	144,626,530,513
6. Undistributed earnings	19	378,562,918,156	477,987,318,312	246,380,523,819	(282,174,310,748)	477,987,318,312	515,972,461,055
<b>TOTAL</b>		<b>2,028,967,701,005</b>	<b>2,162,514,025,279</b>	<b>280,502,447,937</b>	<b>(490,689,056,504)</b>	<b>2,162,514,025,279</b>	<b>2,247,348,193,168</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

B09-CTCK

## 1. CORPORATE INFORMATION

Ho Chi Minh City Securities Corporation ("the Company") is a JSC 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 SSC on 29 April 2003, and other amended licences.

The current 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 5<sup>th</sup> and 6<sup>th</sup> Floor, AB Tower, 76 Le Lai Street, District 1, Ho Chi Minh City. At 31 December 2013, 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 2013 was 503 persons (31 December 2012: 509 persons).

## 2. BASIS OF PREPARATION

### 2.1 Accounting Standards and System

The financial statements of the Company 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 changes 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, cash flows and changes in equity 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.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

B09-CTCK

## 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 year ended 31 December 2012, except for the changes in accounting policy relating to Circular No. 45/2013/TT-BTC guiding the management, use and depreciation of fixed assets.

On 25 April 2013, the Ministry of Finance issued Circular No. 45/2013/TT-BTC guiding the management, use and depreciation of fixed assets. The Circular took effect on 10 June 2013. According to the provisions of this Circular, fixed assets must simultaneously satisfy the following three criteria:

- ▶ It is probable that future economic benefits associated with the asset will flow to the Company;
- ▶ The useful life of asset is over 1 year; and
- ▶ The cost of the asset can be measured reliably and has value of VND 30 million or above.

Accordingly, the Company has ceased to depreciate the assets with value of less than VND 30 million or has transferred these assets into prepaid expenses.

### 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 their overdue status or estimated loss of undue receivables from economic entities which fall bankruptcy 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. Increase or decrease to the provision balance is recorded as "General and administrative expenses" in the income statement.

Provision for overdue receivables is made 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:

Overdue period	Provision rate
From six (6) months to less than one (1) year	30%
From one (1) year to less than two (2) years	50%
From two (2) years to less than three (3) years	70%
From three (3) years and above	100%

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
(continued)

B09-CTCK

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

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 (2) to forty (40) years:

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

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR FINANCIAL ENDED 31 DECEMBER 2013  
(continued)

B09-CTCK

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

#### 3.9.2 Long-term investments in securities

Long-term investments in securities comprise of held-to-maturity securities and available-for-sale 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 plus transaction costs directly attributable to the acquisition. 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.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
(continued)

B09-CTCK

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.10 Provision for impairment of short-term and long-term investment securities (continued)

The market prices of listed securities are determined based on the quoted prices on the stock markets (which are the average prices on the HNX and the closing prices on the Ho Chi Minh City Stock Exchange) as at 31 December 2013.

The market values of unlisted shares which are 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 are not 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.

### 3.11 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 liability, 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 an asset. 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 income statement 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 Accrual for severance pay

The severance pay to employee is accrued at the end of each reporting year for all employees who have more than 12 months in service up to 31 December 2008 at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code, the Law on Social Insurance and related implementing guidance. Commencing 1 January 2009, the average monthly salary used in this calculation will be revised at the end of each reporting year following the average monthly salary of the 6-month period up to the reporting date. Any increase to the accrued amount will be taken to the income statement.

This accrued severance pay is used to settle the severance allowance to be paid to employee upon termination of their labour contract following the Labour Code.

# NOTES TO THE FINANCIAL STATEMENTS

B09-CTCK

AS AT AND FOR THE YEAR FINANCIAL ENDED 31 DECEMBER 2013  
(continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.13 Employee benefits (continued)

#### 3.13.3 Provision for retrenchment allowance

Retrenchment allowance occurs as a result of a constructive obligation to restructure when the Company has a detailed and formal plan for restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Retrenchment allowance is provided at the rate of one month's salary for each working year up to 31 December 2008 and the minimum amount for each employee is two months' salary in accordance with the Labour Code and related implementing guidance. Increases and decreases to the provision balance are recorded as general and administrative expense in the income statement.

#### 3.13.4 Unemployment benefits

According to Circular No. 04/2009/TT-BLDTBXH 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

Transactions in currencies other than the Company's reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At the end of the period, monetary assets and liabilities denominated in foreign currencies are translated at exchange rates of banks where the Company maintains its accounts at the balance sheet date. Revenue or expenses in foreign currencies are converted into VND at exchange rates at the transaction dates. All foreign exchange differences arising from spot rates at the transaction dates and at the balance sheet date are charged to the income statement.

### 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 investment

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.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
(continued)

B09-CTCK

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.16 Revenue recognition (continued)

#### 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.

#### Rendering of other 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.

### 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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR FINANCIAL ENDED 31 DECEMBER 2013  
(continued)

B09-CTCK

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.18 Taxation (continued)

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 on 1 February 2000, securities companies are required to make appropriation of profit after tax to the following reserves:

	Percentage of profit after tax	Maximum level
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 shareholders at the Company's Annual General Meeting.

### 3.20 Appropriation of net profits

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

## 4. CASH AND CASH EQUIVALENTS

	Ending balance	Beginning balance
Cash on hand	267,071,773	261,090,054
Cash at banks	1,007,606,813,367	1,793,941,886,839
<i>In which:</i>		
- Cash of the Company	613,701,593,461	1,413,336,145,691
- Investors' deposits for securities trading (Note 17)	393,905,219,906	380,605,741,148
<b>TOTAL</b>	<b>1,007,873,885,140</b>	<b>1,794,202,976,893</b>

VND

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
(continued)

B09-CTCK

## 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	269,256,791	12,229,214,462,244
- Shares	154,516,789	1,881,409,595,541
- Bonds	114,740,002	10,347,804,866,703
b. Trading results of the investors	5,322,920,907	107,559,159,026,966
- Shares	5,097,529,311	83,432,254,374,669
- Bonds	225,391,596	24,126,904,652,297
<b>TOTAL</b>	<b>5,592,177,698</b>	<b>119,788,373,489,210</b>

## 6. FINANCIAL INVESTMENTS

	Quantity (Unit)	Cost	Compared to the market value		Total market value
			Increase	Decrease	
<b>Short-term investments</b>					
- Listed shares	21,693,968	278,096,882,985	58,335,269,271	(4,340,070,456)	332,092,081,800
- Unlisted shares	4,865,025	119,368,639,502	-	(41,042,021,200)	78,326,618,302
<b>TOTAL</b>	<b>26,558,993</b>	<b>397,465,522,487</b>	<b>58,335,269,271</b>	<b>(45,382,091,656)</b>	<b>410,418,700,102</b>
<b>Long-term investments</b>					
<i>Available-for-sale securities</i>					
- Government bonds	2,250,001	229,370,665,250	15,751,414,731	-	245,122,079,981
<b>TOTAL</b>	<b>2,250,001</b>	<b>229,370,665,250</b>	<b>15,751,414,731</b>	<b>-</b>	<b>245,122,079,981</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR FINANCIAL ENDED 31 DECEMBER 2013  
(continued)

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## 6. FINANCIAL INVESTMENTS (continued)

### 6.1 Short-term investments

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

	Ending balance	Beginning balance
Short-term investments in securities	397,465,522,487	203,325,585,176
Provision for impairment of short-term investments	(45,382,091,656)	(51,002,564,282)
<b>Net value of short-term investments</b>	<b>352,083,430,831</b>	<b>152,323,020,894</b>

Movements of provision for impairment of short-term investments during the year are as follows:

	Current year	Previous year
Beginning balance	51,002,564,282	52,660,970,321
Provision charged (Notes 21)	8,067,292,769	5,096,723,532
Reversal of provision (Notes 21)	(13,687,765,395)	(6,755,129,571)
<b>Ending balance</b>	<b>45,382,091,656</b>	<b>51,002,564,282</b>

### 6.2 Available-for-sale securities

	Ending balance	Beginning balance
Government bonds	229,370,665,250	372,225,836,384
Fund certificates	-	103,068,131,371
<b>TOTAL</b>	<b>229,370,665,250</b>	<b>475,293,967,755</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
(continued)

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## 6. FINANCIAL INVESTMENTS (continued)

### 6.3 Details of provision for short-term investments

VND

Items	Carrying value		Decrease compared with market value		Market value	
	Ending balance	Beginning balance	Ending balance	Beginning balance	Ending balance	Beginning balance
<b>Shares</b>	<b>189,363,427,894</b>	<b>125,934,410,488</b>	<b>(45,382,091,656)</b>	<b>(46,846,930,921)</b>	<b>144,193,981,802</b>	<b>79,099,001,226</b>
Listed shares	92,320,415,392	26,328,457,986	(4,340,070,456)	(5,286,379,721)	88,192,990,500	21,053,599,924
FPT Corporation (FPT)	27,009,167,571	147,574	(24,400,071)	(23,710)	26,984,767,500	123,864
Vinamilk Corporation (VNM)	24,612,768,997	576,000	(776,211,997)	(136,000)	23,836,557,000	440,000
VNDIRECT Securities JSC (VND)	16,427,363,623	7,307,123,419	-	(33,963)	16,640,000,000	7,307,089,456
Viettronics TanBinh JSC (VTB)	8,568,893,944	8,560,710,211	(3,263,961,844)	(5,167,597,711)	5,304,932,100	3,393,112,500
Sai Gon General Service Coporation (SVC)	8,026,017,730	57,830	(111,737,030)	(17,030)	7,914,280,700	40,800
Bao Viet Coporation (BVH)	3,615,003,818	276,403	(103,270,418)	(84,403)	3,511,733,400	192,000
Binh Minh Plastic Company (BMP)	2,824,105,976	-	(4,785,976)	-	2,819,320,000	-
Other stocks	1,237,093,733	10,459,566,549	(55,703,120)	(118,486,904)	1,181,399,800	10,352,601,304
<i>Unlisted shares:</i>	<i>97,043,012,502</i>	<i>99,605,952,502</i>	<i>(41,042,021,200)</i>	<i>(41,560,551,200)</i>	<i>56,000,991,302</i>	<i>58,045,401,302</i>
Lac Viet JSC	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	16,967,999,502	(9,410,708,200)	(9,410,708,200)	7,557,291,302	7,557,291,302
Tan Binh Real Estate JSC	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 JSC	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 JSC	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 JSC	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	-	(518,530,000)	-	2,044,410,000
<b>Fund certificates</b>	<b>-</b>	<b>15,155,357,361</b>	<b>-</b>	<b>(4,155,633,361)</b>	<b>-</b>	<b>10,999,724,000</b>
Vietnam Active Fund (VFA)	-	15,155,357,361	-	(4,155,633,361)	-	10,999,724,000
<b>TOTAL</b>	<b>189,363,427,894</b>	<b>141,089,767,849</b>	<b>(45,382,091,656)</b>	<b>(51,002,564,282)</b>	<b>144,193,981,802</b>	<b>90,098,725,226</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
(continued)

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## 7. SHORT-TERM RECEIVABLES

### 7.1 Short-term receivables

VND

Items	Beginning balance			Movements during the year			Ending balance		
	Total	Overdue	Doubtful	Increase	Decrease	Total	Overdue	Doubtful	Provision
1. Trade receivables	1,410,917,105	-	1,275,517,100	17,962,507,327	(17,983,291,055)	1,390,133,377	-	1,275,517,100	1,275,517,100
- From advisory services	1,281,050,005	-	1,145,650,000	17,962,507,327	(17,983,291,055)	1,260,266,277	-	1,145,650,000	1,145,650,000
- From securities investments	129,867,100	-	129,867,100	-	-	129,867,100	-	129,867,100	129,867,100
2. Advance to suppliers	353,848,252	-	-	331,772,528	(675,358,458)	110,262,322	-	-	-
3. Receivables from securities trading	552,121,896,930	-	15,443,859,795	127,428,663,597,600	(126,590,714,920,436)	1,390,070,574,094	-	15,443,787,994	15,443,787,994
- Margin trading (i)	510,853,136,973	-	-	16,146,818,185,215	(15,626,819,607,465)	1,030,851,714,723	-	-	-
- For clearing and settlement of securities trading with VSD	-	-	-	108,665,848,601,168	(108,419,763,645,107)	246,084,956,061	-	-	-
- Deposit for purchasing securities (ii)	-	-	-	40,000,000,000	(20,000,000,000)	20,000,000,000	-	-	-
- Advances to investors (iii)	40,932,579,312	-	15,443,859,795	2,483,038,070,070	(2,445,563,234,026)	78,407,415,356	-	15,443,787,994	15,443,787,994
- Advisory services	-	-	-	12,862,500,000	-	12,862,500,000	-	-	-
- Receivables from investors for securities trading	-	-	-	3,465,144,930	(2,077,144,930)	1,388,000,000	-	-	-
- Receivables from foreign investors	336,180,645	-	-	76,631,096,217	(76,491,288,908)	475,987,954	-	-	-
4. Other receivables	104,097,165,353	6,585,371,557	-	156,636,154,870	(226,972,031,252)	33,761,288,971	6,596,660,000	-	6,596,660,000
- Reverse repurchase agreements of shares	14,714,617,051	6,585,371,557	-	157,296,733	(420,368,000)	14,451,545,784	6,596,660,000	-	6,596,660,000
- Coupon receivables	3,253,424,658	-	-	15,744,256,161	(5,626,053,526)	13,371,627,293	-	-	-
- Interest receivables from bank deposits	6,894,021,269	-	-	6,638,815,662	(9,313,614,018)	4,219,222,913	-	-	-
- Interest receivables from deposit for purchasing shares (ii)	-	-	-	5,585,000,000	(5,535,000,000)	50,000,000	-	-	-
- Reverse repurchase agreements of bonds	78,600,000,000	-	-	125,911,310,000	(204,511,310,000)	-	-	-	-
- Others	635,102,375	-	-	2,599,476,314	(1,565,685,708)	1,668,892,981	-	-	-
<b>TOTAL</b>	<b>657,983,827,640</b>	<b>6,585,371,557</b>	<b>16,719,376,895</b>	<b>127,603,594,082,325</b>	<b>(126,836,245,601,201)</b>	<b>1,425,332,258,764</b>	<b>6,596,660,000</b>	<b>16,719,305,094</b>	<b>23,315,965,094</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
(continued)

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## 7. SHORT-TERM RECEIVABLES (continued)

### 7.1 Short-term receivables (continued)

(i) These represent 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 1.29% to 1.50% per month during the year.

(ii) This is the remaining amount of a deposit to buy shares from individuals in accordance with the framework agreement signed on 20 March 2013 between the Company and these individuals for a period of 270 days from the signing date. In case the transaction is not performed within the contract term, the deposit plus the accumulated interest on the deposit at the rate of 18% p.a. will be refunded to the Company. As of 9 January 2014, this deposit and the accumulated interest were repaid to the Company in full.

(iii) This account includes doubtful debts of VND 15,443,859,795 relating to the purchase of shares of a company which occurred in previous years and provision for doubtful debts was fully provided.

### 7.2 Provision for doubtful receivables

	VND	
	Current year	Previous year
Beginning balance	23,304,748,452	18,479,834,895
Provision charged for the year (Notes 22)	11,288,443	5,448,250,000
Reversal of provision for the year (Notes 22)	(71,801)	(623,336,443)
<b>Ending balance</b>	<b>23,315,965,094</b>	<b>23,304,748,452</b>

## 8. SHORT-TERM PREPAID EXPENSES

	VND	
	Current year	Previous year
Beginning balance	3,659,266,484	4,519,574,259
Increase during the year	28,717,627,537	25,058,952,597
Transfer from fixed assets (*)	535,838,128	-
	32,912,732,149	29,578,526,856
Amortisation charge for the year	(26,802,151,638)	(25,919,260,372)
<b>Ending balance</b>	<b>6,110,580,511</b>	<b>3,659,266,484</b>

(\*) In 2013, the Company has ceased to depreciate assets that are not eligible to be classified as fixed assets under Article 3 of Circular No. 45/2013/TT-BTC and transferred the net carrying value of these assets to prepaid expenses.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR FINANCIAL ENDED 31 DECEMBER 2013  
(continued)

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## 9. TANGIBLE FIXED ASSETS

	VND		
	Transportation vehicles	Office equipment	Total
<b>Cost:</b>			
Beginning balance	3,219,787,884	38,518,252,205	41,738,040,089
Additions	1,131,223,400	1,801,553,433	2,932,776,833
Transferred to prepaid expenses (*)	-	(4,410,196,423)	(4,410,196,423)
Disposals	(876,821,740)	(951,608,899)	(1,828,430,639)
Ending balance	3,474,189,544	34,958,000,316	38,432,189,860
<i>In which:</i>			
Fully depreciated	2,342,966,144	23,280,028,231	25,622,994,375
<b>Accumulated depreciation:</b>			
Beginning balance	3,028,173,992	28,850,968,632	31,879,142,624
Depreciation for the year	268,645,142	6,266,879,909	6,535,525,051
Transferred to prepaid expenses (*)	-	(3,886,520,404)	(3,886,520,404)
Disposals	(876,821,740)	(904,853,232)	(1,781,674,972)
Ending balance	2,419,997,394	30,326,474,905	32,746,472,299
<b>Net carrying amount:</b>			
Beginning balance	191,613,892	9,667,283,573	9,858,897,465
Ending balance	1,054,192,150	4,631,525,411	5,685,717,561

(\*) In 2013, the Company has ceased to depreciate assets that are not eligible to be classified as fixed assets under Article 3 of Circular No. 45/2013/TT-BTC and transferred the net carrying value of these assets to prepaid expenses.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
(continued)

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## 10. INTANGIBLE FIXED ASSETS

	VND
	<i>Computer software</i>
<b>Cost:</b>	
Beginning balance	21,084,673,883
Additions	932,918,741
Transferred to prepaid expenses (*)	(53,733,957)
Ending balance	<u>21,963,858,667</u>
<i>In which:</i>	
Fully amortised	19,181,199,517
<b>Accumulated amortisation:</b>	
Beginning balance	19,032,176,882
Amortisation for the year	1,288,508,444
Transferred to prepaid expenses (*)	(41,571,848)
Ending balance	<u>20,279,113,478</u>
<b>Net carrying amount:</b>	
Beginning balance	2,052,497,001
Ending balance	<u>1,684,745,189</u>

(\*) In 2013, the Company has ceased to amortised assets that are not eligible to be classified as fixed assets under Article 3 of Circular No. 45/2013/TT-BTC and transferred the net carrying value of these assets to prepaid expenses.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR FINANCIAL ENDED 31 DECEMBER 2013  
(continued)

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## 11. LONG-TERM PREPAID EXPENSES

	Ending balance	Beginning balance
Office rentals (*)	107,196,497,946	112,248,783,822
Office renovation costs	541,619,831	1,263,033,726
<b>TOTAL</b>	<b>107,738,117,777</b>	<b>113,511,817,548</b>

(\*) This mainly includes the unamortised portion of the full prepayment for lease of 1,802 square meters amounting to VND 103,867,172,351 in AB Tower for the remaining period of 37 years.

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

	Current year	Previous year
Beginning balance	113,511,817,548	122,701,592,237
Increase during the year	-	1,026,227,050
	113,511,817,548	123,727,819,287
Amortisation charge for the year	(5,773,699,771)	(10,216,001,739)
<b>Ending balance</b>	<b>107,738,117,777</b>	<b>113,511,817,548</b>

## 12. ADVANCE TO SETTLEMENT ASSISTANCE FUND

Advance to Settlement Assistance Fund represent deposits at the VSD.

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 VSD of the SSC, 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 are follows:

	VND
Initial contribution	120,000,000
Total interest received up to 2012	1,186,759,620
Total additional contribution up to 2012	8,025,823,690
<b>Balance as at 31 December 2012</b>	<b>9,332,583,310</b>
Additional contribution in 2013	1,512,786,501
Interest received in 2013	987,213,499
<b>Balance as at 31 December 2013</b>	<b>11,832,583,310</b>

## 13. OTHER LONG-TERM ASSETS

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

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
(continued)

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## 14. STATUTORY OBLIGATIONS

No.	Items	Beginning balance	Payable in the year	Paid in the year	Ending balance
1	Corporate income tax	9,445,541,826	93,254,051,563	(68,737,158,706)	33,962,434,683
2	Personal income tax of investors	584,867,256	26,800,061,129	(24,999,528,084)	2,385,400,301
3	Corporate income tax of foreign investors	703,735,417	13,745,927,842	(12,457,488,017)	1,992,175,242
4	Personal income tax of the employees	638,412,430	12,790,374,180	(12,844,253,377)	584,533,233
5	Foreign contractor withholding tax	1,017,392,335	3,054,225,248	(3,915,699,976)	155,917,607
6	Value added tax	44,443,254	1,863,612,081	(1,896,493,222)	11,562,113
7	Business registered tax	-	10,000,000	(10,000,000)	-
	<b>TOTAL</b>	<b>12,434,392,518</b>	<b>151,518,252,043</b>	<b>(124,860,621,382)</b>	<b>39,092,023,179</b>

VND

# NOTES TO THE FINANCIAL STATEMENTS

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AS AT AND FOR THE YEAR FINANCIAL ENDED 31 DECEMBER 2013  
(continued)

## 15. ACCRUED EXPENSES

	Ending balance	Beginning balance
Allowance for working performance payable to employees	12,000,000,000	12,000,000,000
Brokerage fee payables to Stock Exchange	2,998,338,694	1,660,132,846
Accrued interest for issued bonds	-	18,249,143,388
Other accrued expenses	5,043,077,969	2,082,902,163
<b>TOTAL</b>	<b>20,041,416,663</b>	<b>33,992,178,397</b>

VND

## 16. OTHER PAYABLES

	Ending balance	Beginning balance
Dividend payables to shareholders	3,222,562,754	3,820,481,079
Trade union fee	1,800,678,317	1,969,924,479
Unemployment insurance	58,777,736	57,753,919
Social insurance and health insurance	45,241,318	19,286,471
Other payables	519,422,573	192,925,262
<b>TOTAL</b>	<b>5,646,682,698</b>	<b>6,060,371,210</b>

VND

## 17. PAYABLES FOR SECURITIES TRADING

	Ending balance	Beginning balance
Investors' deposits for securities trading	393,905,219,906	380,605,741,148
Payables to investor for bond transactions	190,000,000,000	-
Payables from deposit for share auction	185,761,400	-
Payable for repurchase agreement of bonds	-	65,618,942,296
Payables to VSD for clearing and settlement of securities trading	-	141,868,166,551
Payable to State Treasury for bond transactions	-	100,689,000,000
<b>TOTAL</b>	<b>584,090,981,306</b>	<b>688,781,849,995</b>

VND

## 18. REPURCHASE AGREEMENT OF GOVERNMENT BONDS

These are payables from the sales of Government bonds to banks with a commitment to repurchase in January 2014.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
(continued)

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## 19. OWNERS' EQUITY

### 19.1 Share capital

VND

	Ending balance	Beginning balance
Contributed by shareholders	1,272,567,580,000	1,008,486,370,000
Share premium	310,343,798,499	560,834,915,000
Treasury shares	(123,551,893)	(5,165,052,464)
<b>TOTAL</b>	<b>1,582,787,826,606</b>	<b>1,564,156,232,536</b>

### 19.2 Capital transactions with share capital and distribution of dividends

VND

	Current year	Previous year
<b>Share capital</b>		
Beginning balance	1,008,486,370,000	998,486,370,000
Increase	264,081,210,000	10,000,000,000
<b>Ending balance</b>	<b>1,272,567,580,000</b>	<b>1,008,486,370,000</b>

On 26 April 2013, at the Annual General Meeting, the shareholders approved Resolution No. 01/2013/NQ-DHDCD on the proposal plan of issuing new shares to existing shareholders using the shares premium at a ratio of 4:1 (a new share for every four existing shares) and issuing new shares to key employees under the Employee Stock Option program (ESOP 2013) using the bonus and welfare fund of the Company. On 31 October 2013, the Board of Directors passed Resolution No. 08/2013/NQ-HDQT which defined the criteria of key employees, methodology to determine number of shares to distribute for each employee and the time schedule of the program.

Subsequently, the Company completed all necessary procedures and issued 26,408,121 shares and recorded the increase of the share capital amounting to VND 264,081,210,000 by way of share premium (VND 252,081,210,000) and bonus and welfare fund (VND 12,000,000,000).

On 24 December 2013, the Company received the license amendment No. 52/GPDC-UBCK from the SSC amending Business License No. 11/UBCK-GPHDKD dated 29 April 2003. Accordingly, the charter capital increased to VND 1,272,567,580,000. On 3 January 2014, the VSD granted to the Company Certificate of Security Registration No. 02/2009/GCNCP-VSD-5 regarding the additional listing of 25,208,121 shares issued to existing shareholders. Later, on 6 January 2014, the Company also received Certificate of Security Registration No. 02/2009/GCNCP-VSD-6 from the Security Depository Center of Vietnam regarding the additional listing of 1,200,000 shares issued to the Company's key employees under the ESOP.

The Company also received Decision No. 02/QĐ-SGDHCM dated 6 January 2014 issued by the Ho Chi Minh City Stock Exchange allowing it to list 25,208,121 additional shares issued to existing shareholders with the effective date of 8 January 2014. In addition, Decision No 06/QĐ-SGDHCM SGD HCM dated 7 January 2014 issued by the Ho Chi Minh City Stock Exchange approved the Company to list 1,200,000 additional shares issued to the Company's key employees under the ESOP with the effective date of 9 January 2014.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR FINANCIAL ENDED 31 DECEMBER 2013  
(continued)

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## 19. OWNERS' EQUITY (continued)

### 19.3 Dividends

VND

	Current year	Previous year
<b>Dividends declared and paid during the financial year</b>		
- Dividends paid for previous years	629,577,200	159,667,618,245
- 2 <sup>nd</sup> dividends for 2012: VND 1,500 per share	150,716,972,250	50,193,154,470
- Interim dividends for 2013: VND 500 per share	50,440,274,375	-
<b>TOTAL</b>	<b>201,786,823,825</b>	<b>209,860,772,715</b>

### 19.4 Shares

	Ending balance Share	Beginning balance Share
<b>Authorised shares</b>	127,256,758	100,848,637
<b>Issued shares</b>		
<i>Issued and paid-up shares</i>		
Ordinary shares	127,256,758	100,848,637
<b>Treasury shares</b>		
<i>Held by the Company</i>		
Ordinary shares	7,038	282,680
<b>Outstanding shares</b>		
Ordinary shares	127,249,720	100,565,957

## 20. OTHER REVENUE

VND

	Current year	Previous year
Revenue from margin trading	152,720,941,753	185,041,044,907
Interest income from bank deposits	90,726,657,494	138,975,574,115
Revenue from reverse repurchase agreements	6,316,753,467	39,752,827,851
Accrued interest from deposit contract for purchasing shares	5,585,000,000	-
Revenue from advances to investors	2,943,006,362	3,333,395,870
Other revenues	1,408,446,164	3,015,639,954
<b>TOTAL</b>	<b>259,700,805,240</b>	<b>370,118,482,697</b>

# NOTES TO THE FINANCIAL STATEMENTS

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(continued)

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## 21. OPERATING EXPENSES

	VND	
	Current year	Previous year
Staff cost	58,213,022,191	56,536,160,963
Brokerage expenses	41,964,185,262	24,398,170,874
External services	25,207,165,923	22,614,258,580
Cost of repurchase agreements of bonds	18,056,253,211	9,170,343,269
External management consultancy fee	13,363,639,368	11,155,262,165
Loss on securities trading (*)	10,299,662,366	12,772,713,249
Interest of issued bonds	6,237,784,807	18,451,946,536
Security custodian expenses	3,842,101,835	4,722,081,616
Depreciation and amortisation	2,692,159,372	5,850,695,738
Material and tool expenses	502,313,030	400,655,790
Other expenses	1,912,812,847	1,297,691,407
Provision for impairment of investments	8,067,292,769	5,096,723,532
Reversal of provision for impairment of investments	(13,687,765,395)	(6,755,129,571)
<b>TOTAL</b>	<b>176,670,627,586</b>	<b>165,711,574,148</b>

(\*) 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 lower than purchased cost) are recognised in securities investment expenses.

## 22. GENERAL AND ADMINISTRATIVE EXPENSES

	VND	
	Current year	Previous year
Staff cost	45,263,635,002	41,985,563,206
Office rental	16,215,281,867	20,585,554,340
External services	13,971,680,472	12,021,284,821
Depreciation and amortisation	5,131,874,123	6,699,867,597
Office renovation expenses	532,691,887	1,995,656,125
Taxes and other fees	346,752,944	460,424,038
Office supplies	233,916,726	131,487,519
Other expenses	1,671,357,080	1,269,163,583
Provision for doubtful debts	11,288,443	5,448,250,000
Reversal of provision for doubtful debts	(71,801)	(623,336,443)
<b>TOTAL</b>	<b>83,378,406,743</b>	<b>89,973,914,786</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 23. 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.

### 23.1 Current corporate income tax expense

	VND	
	Current year	Previous year
CIT expense of the year	93,254,051,563	60,413,415,861
Adjustment for under provision of tax in years	-	50,253,758
<b>TOTAL</b>	<b>93,254,051,563</b>	<b>60,463,669,619</b>

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 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 provision for current CIT for the year is computed as follows:

	VND	
	Current year	Previous year
<b>Profit before tax</b>	<b>375,428,362,311</b>	<b>306,844,193,438</b>
<b>Adjustments to increases (decreases) accounting profit</b>		
<i>Adjustments to increases:</i>		
- Non-deductible expenses	761,925,168	404,913,300
<i>Adjustments to decreases:</i>		
- Tax-exempt dividend income	(2,759,257,235)	(4,688,117,435)
- Reversal of provision for impairment of unlisted securities	(414,823,992)	(493,910,000)
<b>Current taxable profit</b>	<b>373,016,206,252</b>	<b>302,067,079,303</b>
CIT expense	93,254,051,563	60,413,415,861
Under provision of tax in prior years	-	50,253,758
<b>Estimated current CIT</b>	<b>93,254,051,563</b>	<b>60,463,669,619</b>
<b>CIT payable at the beginning of the year</b>	<b>9,445,541,826</b>	<b>10,269,846,948</b>
CIT paid during the year	(68,737,158,706)	(61,287,974,741)
<b>CIT payable at the end of the year</b>	<b>33,962,434,683</b>	<b>9,445,541,826</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
(continued)

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## 23. CORPORATE INCOME TAX (continued)

### 23.2 Deferred corporate income tax

There was no deferred tax recognised as at 31 December 2013 since there are no significant identified temporary differences between the carrying value and the tax base of assets and liabilities in the financial statements.

## 24. TRANSACTIONS WITH RELATED PARTIES

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

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Amounts</i>
			<i>VND</i>
Dragon Capital Markets Limited (DC)	Strategic shareholder	Dividend paid	62,848,800,000
		Bond redemption	110,000,000,000
		Interest paid for bonds issued	24,486,928,196
		Interest expenses of bonds issued	6,237,784,807
		Advisory expenses	10,571,221,368
Ho Chi Minh City Fund and Investment Corporation (HFIC)	Strategic shareholder	Dividend paid	60,000,000,000
		Purchasing securities	37,185,137,000
		Brokerage income	55,777,706
Vietnam Debt Fund SPC.	Related parties	Purchasing securities	124,305,091,000
		Selling securities	90,089,428,000
		Purchasing bonds under reverse repurchase agreement	121,422,520,000
		Selling bonds under repurchase agreement	109,563,319,200
		Brokerage income	150,150,287
Dragon Capital Vietnam Mother Fund	Related parties	Selling securities	1,065,949,744,050
		Purchasing securities	112,181,980,400
		Brokerage income	1,759,106,807
Amersham Industries Limited	Related parties	Selling securities	670,128,024,000
		Purchasing securities	151,882,855,000
		Brokerage income	1,233,016,323
Vietnam Enterprise Investments Limited	Related parties	Selling securities	816,658,540,000
		Purchasing securities	153,315,403,000
		Brokerage income	1,454,960,917
Vietnam Property Fund Limited	Related parties	Selling securities	52,853,145,200
		Brokerage income	79,279,718
DC Developing Markets Strategies Public Limited Company	Related parties	Purchasing securities	25,211,805,000
		Brokerage income	37,817,708

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR FINANCIAL ENDED 31 DECEMBER 2013  
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## 25. TRANSACTIONS WITH RELATED PARTIES (continued)

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

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Receivables (payables)</i>
			<i>VND</i>
Ho Chi Minh City Fund and Investment Corporation (HFIC)	Strategic shareholder	Deposits for trading securities	(21,617,852)
Vietnam Enterprise Investments Limited	Related parties	Brokerage fee	7,087,500,000
Amersham Industries Limited	Related parties	Brokerage fee	5,775,000,000

### Transactions with other related parties

Remuneration to members of the Board of Directors and Management:

	<i>Current year</i>	<i>Previous year</i>
		<i>VND</i>
Salaries and bonus	9,132,601,622	9,071,337,244

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
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## 25. SEGMENT INFORMATION

### Business segment

VND

	Brokerage and customer services	Trading	Advisory services	Treasury activities	Other segments	Unallocated	Total
<i>For the financial year ended 31 December 2013</i>							
1. Revenue from operating activities	202,814,821,940	152,918,931,927	16,399,063,998	258,292,359,076	4,334,400,759	-	634,759,577,700
2. Direct costs	47,901,015,870	9,560,551,279	7,810,461,795	183,867,493,838	3,085,478,051	-	252,225,000,833
3. Depreciation and amortisation	2,758,006,602	26,013,149	45,446,898	4,912,136,351	82,430,496	-	7,824,033,496
4. Other income	-	-	-	-	717,818,940	-	717,818,940
<b>Profit before tax</b>	<b>152,155,799,468</b>	<b>143,332,367,499</b>	<b>8,543,155,305</b>	<b>69,512,728,887</b>	<b>1,884,311,152</b>	-	<b>375,428,362,311</b>
<i>As at 31 December 2013</i>							
1. Segment assets	273,726,227,733	353,091,070,831	1,114,897,299	2,346,516,376,186	1,839,846,330	-	2,976,288,418,379
2. Allocated assets	83,098,425,859	931,074,800	3,491,530,498	2,560,455,699	27,001,169,187	-	117,082,656,043
3. Unallocated assets	-	-	-	-	-	34,409,994,500	34,409,994,500
<b>Total assets</b>	<b>356,824,653,592</b>	<b>354,022,145,631</b>	<b>4,606,427,797</b>	<b>2,349,076,831,885</b>	<b>28,841,015,517</b>	<b>34,409,994,500</b>	<b>3,127,781,068,922</b>
1. Segment liabilities	-	-	-	-	-	-	-
2. Unallocated liabilities	591,690,652,264	-	-	217,478,509,568	749,823,123	70,513,890,799	880,432,875,754
<b>Total liabilities</b>	<b>591,690,652,264</b>	-	-	<b>217,478,509,568</b>	<b>749,823,123</b>	<b>70,513,890,799</b>	<b>880,432,875,754</b>

### Geographical segment

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

# NOTES TO THE FINANCIAL STATEMENTS

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AS AT AND FOR THE YEAR FINANCIAL ENDED 31 DECEMBER 2013  
(continued)

## 26. OPERATING LEASE COMMITMENTS

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

### In Ho Chi Minh City:

- Head office at 5<sup>th</sup> and 6<sup>th</sup> Floor, AB Tower at 76 Le Lai, Ben Thanh Ward, District 1.
- Branch office at 1<sup>st</sup> 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 2<sup>nd</sup> Floor, B14 Building, Kim Lien Ward, Dong Da District.
- Warehouse for archiving documents at P803, 8<sup>th</sup> Floor CT5, My Tri Ward, Tu Liem District.

The minimum lease commitment as at 31 December 2013 under the operating lease agreements is as follows:

VND

	Ending balance	Beginning balance
Less than 1 year	7,924,500,060	10,692,201,376
From 1 - 5 years	9,692,937,830	17,945,752,979
<b>TOTAL</b>	<b>17,617,437,890</b>	<b>28,637,954,355</b>

## 27. 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:

	Current year	Previous year (restated)
Net profit after tax attributable to ordinary equity holders for basic earnings - VND	282,174,310,748	246,380,523,819
Weighted average number of ordinary shares for basic earnings per share	125,926,782	124,500,873
Basic earnings per share - VND	2,241	1,979

Basic earnings per share of previous year were restated due to the effect of the issuance of new shares to existing shareholders at the ratio of 4:1 by way of share premium in 2013 (a new share for every four existing shares).

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
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## 28. 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 2013.

### **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 at 31 December 2013 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).

Foreign currency risk is low since most of all the Company's assets and liabilities are in Vietnam dong.

### **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 2013, the exposure to listed equity securities at fair value was VND 332,092,081,800 (31 December 2012: VND 183,932,544,119). An increase or decrease of 10% on the stock market index would result in an increase or decrease in the same proportion of revenue from the operating activities, depending on the significance or lengthiness of the decrease, and also depending on whether the holding status of the portfolio have significant impact on the market index.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR FINANCIAL ENDED 31 DECEMBER 2013  
(continued)

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## 28. 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.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
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## 28. 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 summarises the maturity profile of the Company's financial liabilities based on contractual discounted payments:

				VND
	On demand	Less than 1 year	From 1 to 5 years	Total
<b>Ending balance</b>				
Payables to securities transactions	583,905,219,906	185,761,400	-	584,090,981,306
Repurchase agreement of Government bonds	-	217,478,509,568	-	217,478,509,568
Accrued expenses	-	7,993,566,663	-	7,993,566,663
Other short-term payables	3,231,661,643	1,464,675,431	-	4,696,337,074
	<b>587,136,881,549</b>	<b>227,122,513,062</b>	<b>-</b>	<b>814,259,394,611</b>
<b>Beginning balance</b>				
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
	<b>927,153,472,739</b>	<b>68,266,089,870</b>	<b>-</b>	<b>995,419,562,609</b>

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

As of 31 December 2013, the Company used its investment bonds as collaterals at other institutions in order to ensure their obligation for selling and repurchasing contracts.

The Company has held customers' securities as collaterals for the trade receivables from customers as at 31 December 2013 and at 31 December 2012.

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. 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 and 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; or
    - ▶ There is an evidence that such instrument is traded for the purpose of gaining short-term profits.
  - b) Upon initial recognition, the entity categorizes the financial asset as such reflected at fair value through profit and 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 and loss;
  - b) Financial assets already categorised as available for sale; or
  - 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 categorised as such recognised at fair value through profit and 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 categorised 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; or
  - c) Financial assets recognised at fair value through profit and loss.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
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## 29. 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 and loss

Are ones that meet either of the following conditions:

- 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; or
  - There is an evidence that such instrument is traded for the purpose of gaining short-term profits.
- Upon initial recognition, the entity categorises the financial liability as such reflected at fair value through profit and loss.

- Financial liabilities determined at the fair amortised cost

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

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013  
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## 29. 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:

	Carrying amount		Fair value	
	Ending balance	Beginning balance	Ending balance	Beginning balance
<b>Financial assets</b>				
Financial assets at fair value through profit and loss				
- Held for trading investments				
Listed shares	278,096,882,985	81,394,005,674	332,092,081,800	75,017,062,848
Unlisted shares	119,368,639,502	121,931,579,502	78,326,618,302	80,371,028,302
- Held-to-maturity investment				
Short term deposit	978,900,000,000	1,751,700,000,000	978,900,000,000	1,751,700,000,000
Trade receivable and other receivables	1,428,468,801,970	661,651,188,264	(*)	(*)
Available for sales financial assets				
- Available for sale securities				
Fund certificates	-	103,068,131,371	(*)	(*)
Bonds	229,370,665,250	372,225,836,384	(*)	(*)
Cash and cash equivalents	28,973,885,140	42,502,976,893	28,973,885,140	42,502,976,893
<b>Total</b>	<b>3,063,178,874,847</b>	<b>3,134,473,718,088</b>	<b>1,418,292,585,242</b>	<b>1,949,591,068,043</b>
<b>Financial liabilities</b>				
Loans and borrowings	-	110,000,000,000	(*)	(*)
Payables to securities transactions	584,090,981,306	688,781,849,995	(*)	(*)
Repurchase agreement of Government bonds	217,478,509,568	163,195,578,241	(*)	(*)
Accrued liabilities	7,993,566,663	21,299,762,275	7,993,566,663	21,251,912,275
Other short-term payable	4,696,337,074	12,142,372,098	(*)	(*)
<b>Total</b>	<b>814,259,394,611</b>	<b>995,419,562,609</b>	<b>7,993,566,663</b>	<b>21,251,912,275</b>

(\*) 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. 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 are used to estimate the fair values:

- ▶ Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

## 30. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events occurring after the reporting date that have affected or may significantly affect the operations of the Company and the results of its operations or the state of affairs of the Company.

# OPERATION 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

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